39TH CONGRESS, 1st Session. } HOUSE OF REPRESENTATIVES. { MIS. DOC. No. 124.

LEGAL RESTRICTIONS UPON THE COMMERCE IN MONEY.

MEMORIAL

OF THE

PHILADELPHIA BOARD OF TRADE

TO THE

Congress of the United States, praying for the abolition of legal restrictions upon the commerce in money, with the report of a special committee of their executive council, upon the usury laws, May 21, 1866.

JUNE 26, 1866.—Referred to the Committee on Commerce and ordered to be printed.

To the honorable the Senate and House of Representatives of the United States of America in Congress assembled:

The memorial of the Philadelphia Board of Trade respectfully represents, that in view of the progress of legislation abroad, and of opinion at home, founded upon the experience of the most commercial nations in Europe, it is desirable that all legal restrictions upon the commerce in money, and upon rates of interest for its use, should be abolished.

The report of a special committee of the executive council of this board is herewith respectfully submitted, accompanied by copies (published by authority) of a report of a select committee of the British House of Commons, "appointed to consider the effects of the laws which regulate or restrain the interest on money," dated May, 1818, with the evidence appended; and also of a report from a select committee of the House of Lords, appointed (in session of 1841) "to inquire into the effect of the alterations made in the laws regulating the interest on money," with the testimony appended; and also copies of three acts of Parliament, dated respectively 17th July, 1837; 29th July, 1839; and 10th August, 1854, in abrogation of their usury laws.

Your memoralists respectfully urge that, by the fourth and sixth paragraphs of section VIII of the first article of the Constitution of the United States, Congress is invested with authority to regulate commerce among the several States, and to coin and regulate the value of money.

The life-blood of commerce is money; and in all ages and among all people its complete regulation has been among the proper attributes of the supreme national authority.

If Congress should respond to this appeal by legislation, it is respectfully assumed that in the absence of special contract between borrowers and lenders, the rates for the use of money established in the several States should rule. And there may be minor exceptions to a general repeal of restrictions, as in the act of the British Parliament of 1854, and such as may be suggested by any local exigencies.

Firmly believing that when the truths involved shall be generally understood, Congress and the American people will not long suffer themselves to be behind the civilized world in their laws relative to the commerce in money, your memorialists respectfully pray that all the documents accompanying this petition shall be ordered to be printed for general information; and that the whole subject shall be referred to a committee, to be reported upon by a bill or otherwise in substance declaring that all laws of the several States and of the United States impairing the obligation of *bona fide* contracts for the use or forbearance of money shall be inoperative and void; except that in the absence of such contracts the local laws in existence shall rule, and providing that State police legislation governing pawnbrokers shall be sanctioned and confirmed.

All of which is respectfully submitted.

JOHN WELSH,
President of the Philadelphia Board of Trade.

A. J. PERKINS, *Secretary.*

PHILADELPHIA, *May* 21, 1866.

EXECUTIVE COUNCIL OF THE PHILADELPHIA BOARD OF TRADE, *May* 21, 1866.

Mr. Tatham, on behalf of the committee appointed to prepare a memorial to Congress, praying that the commerce in money shall be made absolutely free, offered the following report:

It is curious and instructive to trace the history of legislation, of human opinion, and of general conduct upon the subject of compensation for the use of money.

The usury alluded to and sometimes condemned in the Old Testament, from Exodus to Ezekiel,* appears to have been the withholding of charity. The people were commanded to give or lend to the poor; that they were to take no pledge, nor to exact a recompense from a needy brother. From a stranger they might take usury.

In the New Testament, in the parable of the ten talents, (Matthew and Luke,) the receipt of interest for money is spoken of without reproach, and as an established custom.

Among the Athenians, Solon, who seems to have been in this respect far in advance of our later ages, placed no restriction whatever upon the commerce in money. Even among the Romans there were no prohibitory laws until three hundred and ninety-eight years after the foundation of the city, when the tribunes of the people prohibited the receipt of more than twelve per cent. for the use of money.

Ten years later, according to Livy, the rate of interest was reduced to six per cent.; and five years after (three hundred and forty years before Christ,) the receipt of any interest for the use of money was totally prohibited, at the instance of an incendiary demagogue, the tribune Marcus Genutius. According to Livy and Tacitus, as quoted by Montesquieu,† these and other legal interferences produced their natural results. They were either entirely evaded and failed of effect; or, when enforced, they led to civil disturbances and bloodshed.

The monkish ignorance and superstition of the dark ages led to the enactment of laws in restraint of borrowing and lending, from the influences of which the civilized world is not yet entirely free.

We have it upon the authority of Locke, in 1691, that in Holland there was no restriction upon the price of the use of money. "Every one there may hire

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* For thirteen references, see Cruden's Concordance.

† Montesquieu de l'Esprit des Lois, livre xxii, chap. 22.

out his money as freely as anything else, for whatever rate he can get, and the bargain being made, the law will enforce it." Their law is the same to-day.

The philosopher Locke, one hundred and seventy-five years ago,* advanced all the leading arguments against legal restrictions upon the commerce in money that were afterwards, in 1787, reproduced with so much causticity and effect by Jeremy Bentham. Undoubtedly the example of other nations had its effect in England; but to the influence of Bentham's celebrated letters in "Defence of Usury" must be greatly attributed the subsequent parliamentary inquiries, and the legislation of Great Britian.

The history of the progressive abolition of the usury laws in Great Britain is so remarkable, and the instruction is so applicable to our case, that a short sketch of it, and a synopsis of the evidence upon which the several acts of Parliament were based, will furnish nearly all the proofs, illustrations, and arguments for a full elucidation of the subject.

The old statute-books of the Parliaments of England, Scotland, and Ireland contain numerous enactments, intended, at first, entirely to prohibit, and subsequently (about 1545) to fix a legal rate of interest for money by limiting it to ten, to eight, six, or five on the hundred. The multiplication of these laws proves how futile must always be the endeavor to fix by statute a thing in itself necessarily variable.

In 1818 the House of Commons appointed a committee to investigate the subject. They took the evidence of the leading merchants, bankers, brokers, lawyers, and land agents in London, which was reported to the house at length, and ordered to be printed.

It appeared in testimony that in Holland, in Hamburg, the Hanse Towns (with the exception of Frankfort,) in Austria, Leghorn, and Genoa, there is no restriction whatever upon the hire of money. In Frankfort and in Prussia interest is restricted to five per cent. upon real security, but upon commercial paper there is no limit. In France, by the Code Napoleon, interest on real security is restricted to five per cent., and on bills to six per cent., with fines and penalties so arranged as if intended to be disregarded, as in practice they are.

It appeared further, that where there had been for years the least restriction, as in Holland, there the common rates for money were always the lowest.

There was, of course, diversity of opinion in the evidence before the parliamentary committee, but the investigation established the following points:

First. That it was impossible to enforce the laws against usury. They were believed to be evaded in every country in the world. Mr. N. M. Rothschild said, "he was not aware of any country where the usury laws were not evaded." At periods during the continental wars the governments were constantly breaking the usury laws themselves.

Second. That there is a natural rate of interest for money, which varies with the proportions of supply and demand; the supply and demand depending upon the profits upon money employed in other ways than in lending.

Third. That the restriction upon the rate of money had a tendency to drive capital away to countries where it was allowed to earn its natural return.

Fourth. That the usury laws tended to raise the rate of interest; because, when the natural rate was above the legal rate, the cost to the borrower was increased by the expenses of the circuitous and illegal methods adopted, and by the additional risk run by the lender, and by the fact that the quantity of money employed in lending was diminished by the operation of the law.

Fifth. That the law pressed severely upon the owners of land during the periods when money was dear, they being obliged, in order to raise money, to grant annuities for lives, which sometimes raised the rate actually paid to twelve or fifteen per cent.

* In a letter to a member of Parliament, entitled "Considerations of the lowering of interest and raising the value of money." Locke's works. Quarto. Vol. 2. Edit. 1768.

Messrs. Samuel Gurney and N. M. Rothschild, with others, in 1818, thought that the repeal of the usury laws might be a benefit to capitalists, but would be injurious to the trading interests; and, although the report of the house committee was in favor of a repeal, no immediate action by Parliament appears to have followed.

The discussion still continued before the public; and fifteen years afterwards, in 1833, after another committee of the House of Commons had reported, Parliament passed a law exempting bills of exchange and promissory notes discounted by the Bank of England, and not having more than three months to run, from the operation of the usury laws.

In 1837 a law was passed, until 1840, exempting bills of exchange and promissory notes, not having more than twelve months to run, from the operation of the laws against usury.

In 1839 another law was passed, until 1842, continuing the exemptions of the last act, and exempting also all contracts for the loan or forbearance of money, provided they were not secured upon real estate.

In 1841 the House of Lords appointed a committee to inquire into the effects of these changes that had been made in the laws in relation to money.

This committee examined the same classes of persons who had testified in 1818, and the evidence elicited was now more satisfactory, complete, and more nearly unanimous.

Mr. Samuel Gurney, who in 1818 had doubted the wisdom of the repeal, made a complete and voluntary recantation of his former opinion, and declared that the changes had been very beneficial.

The testimony now taken established, among the benefits of the repeal of the laws against usury—

First. That the Bank of England was enabled to discount all good paper offered in times of difficulty. Excessive offerings were checked by simply raising the rate, and not by an arbitrary rejection of paper.

Second. That in times of great pressure fewer failures occurred than had happened in similar emergencies before the change, inasmuch as capital was now permitted to flow freely to the points of the most intense pressure.

Third. That the change had augmented the amount of money employed in the commercial market at the periods when it was most wanted.

Fourth. That the higher rates of interest paid by some parties after the repeal were yet lower than the same parties had paid by indirect methods before the repeal.

Fifth. That the rate of interest paid upon mortgages remained, as before, unaffected by the transient changes of the money market. Although six per cent., or more, had been paid upon commercial paper, the interest on mortgages remained at three and a half to four.

Sixth. That the change was generally popular, and that a return to the old system would be deemed a grievance and a hardship.

Seventh. That the existing state of the law was uncertain. Restriction was the general rule, there being certain enumerated exceptions. It should be a simple law; for, otherwise, persons were entrapped into the commission of usury wholly without intention.

Upon the 10th of August, 1854, the complete emancipation of money in Great Britain was effected by a statute, the first section of which runs as follows:

"1. That the several acts and parts of acts made in the Parliaments of *England* and *Scotland*, *Great Britain* and *Ireland*, mentioned in the schedule hereto, and all existing laws against usury, shall be repealed."

The schedule annexed includes no less than twenty acts of Parliament.

And thus were finally abolished in Great Britain the whole of those laws

made in the dark ages, which were then considered necessary for the protection of the people.

The theories of Locke and Bentham thus achieved a remarkable and magnificent triumph. That which was abstract reasoning with them, after the closest official scrutiny has been adopted by the most cautious of legislatures, and is an accomplished fact to-day. For twelve years past, the most extensively commercial people in the world have enjoyed all the predicted advantages of the change, unaccompanied by any of the evils that had formerly been imagined.

In France and Spain, and elsewhere, many of the medieval laws are still reretained. For instance, the law fixes the price of bread and of butcher's meat.

In the United States we trust our women to buy their daily bread, without apprehension that the bakers will take advantage of their necessities; but we cannot trust our men to borrow money at a market rate for fear the lenders might take advantage of their hopes.

This committee of the Philadelphia Board of Trade cannot permit themselves to doubt that when the truths above established shall become generally understood, the American people will not long remain behind the progress of the age in intelligent legislation.

By the Constitution of the United States, among the general powers enumerated under section VIII of the first article, Congress is expressly authorized to regulate commerce among the several States, and to coin money and regulate the value thereof.

It is not to be questioned that the trade in money, which is the life-blood of commerce, is entirely within the constitutional control of the national legislature.

In all ages, and among all people, the regulation of the monetary currency in every aspect has been among the proper attributes of the supreme national authority.

This committee have, therefore, prepared, and now submit to the executive council of the Board of Trade, a memorial to the Congress of the United States, praying that the commerce in money shall be rendered absolutely free from all restriction *(exceptis exceptandis,)* and in the absence of special contracts for the use of money, that the rates provided by the existing laws of the several States shall rule; and further praying that this memorial and report, with the accompanying documents, being copies of the reports of the two committees of theBritish Parliament of 1818 and 1841, with the testimony appended, published by authority, and also copies of the three acts of Parliament, dated respectively the 17th July, 1837, the 29th July, 1839, and the 10th August, 1854, in abrogation of their usury laws, shall be printed for general information.

JOHN WELSH,
G. N. TATHAM,
S. V. MERRICK,
F. FRALEY,
J. PRICE WETHERILL,
J. C. GRUBB,
Committee.

PHILADELPHIA, *May* 21, 1866.

CAP. LXXX.

AN ACT to exempt certain bills of exchange and promissory notes from the operation of the laws relating to usury.—17*th July*, 1837.

Whereas, by an act passed in the fourth year of the reign of his Majesty King William the Fourth, intituled "An act for giving to the corporation of the

governor and company of the Bank of England certain privileges for a limited period, under certain conditions," bills of exchange and promissory notes made payable at or within three months after the date thereof, or not having more than three months to run, and certain transactions in respect of such bills, were exempted from the operations of the statutes relating to usury, and it is desirable to extend such exemptions:

Be it therefore enacted by the Queen's most excellent Majesty, by and with the advice and consent of the lords, spiritual and temporal, and commons, in this present Parliament assembled, and by the authority of the same, That from and after the passing of this act, and till the first of January, one thousand eight hundred and forty, no bill of exchange or promissory note made payable at or within twelve months after the date thereof, or not having more than twelve months to run, shall, by reason of any interest taken thereon or secured thereby, or any agreement to pay, or receive, or allow interest in discounting, negotiating, or transferring the same, be void, nor shall the liability of any party to any bill of exchange or promissory note be affected by reason of any statute or law in force for the prevention of usury; nor shall any person or persons or body corporate drawing, accepting, indorsing, or signing any such bill or note, or lending or advancing any money, or taking more than the present rate of legal interest in Great Britain and Ireland, respectively, for the loan of money on any such bill or note, be subject to any penalties under any statute or law relating to usury, or any other penalty or forfeiture, anything in any law or statute relating to usury, or any other law whatsoever in force in any part of the United Kingdom, to the contrary notwithstanding.

CAP. XXXVII.

AN ACT to amend and extend until the first day of January, one thousand eight hundred and forty-two, the provisions of an act of the first year of her present Majesty for exempting certain bills of exchange and promissory notes from the operation of the laws relating to usury.—*29th July*, 1839.

Whereas, by an act passed in the first year of the reign of her present Majesty, intituled "An act to exempt certain bills of exchange and promissory notes from the operation of the laws relating to usury," it was enacted that bills of exchange payable at or within twelve months should not be liable, for a limited time, to the laws for the prevention of usury; and whereas the duration of the said act was limited to the first day of January, one thousand eight hundred and forty; and it is expedient that the provisions of the said act should be extended:

Be it therefore enacted by the Queen's most excellent Majesty, by and with the advice and consent of the lords, spiritual and temporal, and commons, in this present Parliament assembled, and by the authority of the same, That from and after the passing of this act no bill of exchange or promissory note made payable at or within twelve months after the date thereof, or not having more than twelve months to run, nor any contract for the loan or forbearance of money, above the sum of ten pounds sterling, shall, by reason of any interest taken thereon or secured thereby, or any agreement to pay, or receive, or allow interest in discounting, negotiating, or transferring any such bill of exchange or promissory note, be void, nor shall the liability of any party to any such bill of exchange or promissory note, nor the liability of any person borrowing any sum of money as aforesaid, be affected by reason of any statute or law in force for the prevention of usury; nor shall any person or persons or body corporate drawing, accepting, indorsing, or signing any such bill or note, or lending, or advancing, or forbearing any money as aforesaid, or taking more than the present rate of legal interest in Great Britain and Ireland, respectively, for the loan or forbearance of money as aforesaid, be subject to any penalties under any statute

or law relating to usury, or any other penalty or forfeiture; anything in any law or statute relating to usury, or any other law whatsoever in force in any part of the United Kingdom, to the contrary notwithstanding: *Provided always*, That nothing herein contained shall extend to the loan or forbearance of any money upon security of any lands, tenements, or hereditaments, or any estate or interest therein.

II. *Provided always, and be it enacted*, That nothing in this act contained shall be construed to enable any person or persons to claim, in any court of law or equity, more than five per cent. interest on any account or on any contract or engagement, notwithstanding they may be relieved from the penalties against usury, unless it shall appear to the court that any different rate of interest was agreed to between the parties.

III. *Provided always, and be it enacted*, That nothing herein contained shall extend or be construed to extend to repeal or affect any statute relating to pawnbrokers, but that all laws touching and concerning pawnbrokers shall remain in full force and effect, to all intents and purposes whatsoever, as if this act had not been passed.

IV. *And be it enacted*, That this act shall continue in force until the first day of January, one thousand eight hundred and forty-two.

V. *And be it enacted*, That this act may be amended or repealed by any act to be passed in this session of Parliament.

CAP. XC.

AN ACT to repeal the laws relating to usury and to the enrolment of annuities.—10*th August*, 1854.

Whereas it is expedient to repeal the laws at present in force relating to usury:

Be it enacted by the Queen's most excellent Majesty, by and with the advice and consent of the lords, spiritual and temporal, and commons, in this present Parliament assembled, and by the authority of the same, as follows:

I. The several acts and parts of acts made in the Parliaments of England and Scotland, Great Britain and Ireland, mentioned in the schedule hereto, and all existing laws against usury, shall be repealed:

II. *Provided always*, That nothing herein contained shall prejudice or affect the rights or remedies of any person, or diminish or alter the liabilities of any person, in respect of any act done previously to the passing of this act.

III. Where interest is now payable upon any contract, express or implied, for payment of the legal or current rate of interest, or whereupon any debt or sum of money interest is now payable by any rule of law, the same rate of interest shall be recoverable as if this act had not been passed:

IV. *Provided always*, That nothing herein contained shall extend or be construed to extend to, repeal or affect any statute relating to pawnbrokers, but that all laws touching and concerning pawnbrokers shall remain in full force and effect, to all intents and purposes whatsoever, as if this act had not been passed.

Schedule referred to by the foregoing act.

ACTS AND PARTS OF ACTS OF THE PARLIAMENTS OF ENGLAND, GREAT BRITAIN, AND THE UNITED KINGDOM OF GREAT BRITAIN AND IRELAND.

37 Hen. 8, c. 9. The whole of an act passed in the thirty-seventh year of the reign of King Henry the Eighth, intituled "A bill against usury."

13 Eliz., c. 8. The whole of an act passed in the thirteenth year of the reign of Queen Elizabeth, intituled "An act against usury."

21 Jac. 1, c. 17, made perpetual by 3 Car. 1, c. 4, s. 5. So much of an act passed in the third year of the reign of King Charles the First as enacts that an act passed in the twenty-first year of King James the First, intituled "An act against usury," be made perpetual.

12 Car. 2, c. 13. The whole of an act passed in the twelfth year of the reign of King Charles the Second, intituled "An act for the restraining the taking of excessive usury."

Confirmed by 13 Car. 2, Stat. 1, c. 14. So much of an act passed in the thirteenth year of the reign of King Charles the Second, intituled "An act for confirming an act intituled 'An act for encouraging and increasing of shipping and navigation,' and several other acts, both public and private, mentioned therein," as confirms the hereinbefore-mentioned act of the twelfth year of the same reign.

12 Anne, Stat. 2, c. 16. The whole of an act passed in the twelfth year of the reign of Queen Anne, intituled "An act to reduce the rate of interest, without any prejudice to parliamentary securities."

53 Geo. 3, c. 141. The whole of an act passed in the fifty-third year of the reign of King George the Third, intituled "An act to repeal an act of the seventeenth year of the reign of his present Majesty, intituled 'An act for registering the grants of life annuities, and for the better protection of infants against such grants, and to substitute other provisions in lieu thereof,'" except so much thereof as repeals the said act of the seventeenth year of King George the Third.

3 Geo. 4, c. 92. The whole of an act passed in the third year of the reign of King George the Fourth, intituled "An act to explain an act of the fifty-third year of the reign of his late Majesty, respecting the enrolment of memorials of grants of annuities."

7 Geo. 4, c. 75. The whole of an act passed in the seventh year of King George the Fourth, intituled "An act to explain an act of the fifty-third year of the reign of his late Majesty, respecting the enrolment of memorials of grants of annuities."

5 & 6 W. 4, c. 41. So much of an act passed in the session of Parliament holden in the fifth and sixth years of the reign of King William the Fourth, intituled "An act to amend the law relating to securities given for considerations arising out of gaming, usurious, and other illegal transactions," as relates to securities given for considerations arising out of usurious transactions.

13 & 14 Vict., c. 56. The whole of an act passed in the session of Parliament holden in the thirteenth and fourteenth years of the reign of her present Majesty, intituled "An act to continue the act for exempting certain bills of exchange and promissory notes from the operation of the usury laws."

ACTS OF THE PARLIAMENT OF SCOTLAND.

An act of the eleventh Parliament of King James the Sixth, chapter fifty-two: "It is not lesum to take ane greater annual rent for the 100 poundes nor ten poundes, or five bolls victual."

An act of the fourteenth Parliament of King James the Sixth, chapter two hundred and twenty-two: "For punishment of committers of usury."

An act of the fifteenth Parliament of King James the Sixth, chapter two hundred and fifty-one: "It is not leasum to take mair annuall rent or profet nor ten for the hundreth."

An act of the sixteenth Parliament of King James the Sixth, chapter seven: "Explanation of the acts of Parliament anent ocker and usury."

An act of the twenty-third Parliament of King James the Sixth, chapter twenty-eight: "Anent taking of annual rent beforehand to be usurie."

ACTS OF THE PARLIAMENT OF IRELAND.

An act of the tenth year of King Charles the First, session two, chapter twenty-two, intituled "An act against usury."

An act of the second year of Queen Anne, chapter sixteen, intituled "An act for reducing of interest of money to eight per cent. for the future."

An act of the eighth year of King George the First, chapter thirteen, intituled "An act for reducing the interest of money to seven per cent."

An act of the fifth year of King George the Second, chapter seven, intituled "An act for reducing the interest of money to six per cent."

REPORT BY THE LORDS COMMITTEES APPOINTED A SELECT COMMITTEE TO INQUIRE INTO THE EFFECT OF THE ALTERATIONS MADE IN THE LAWS REGULATING THE INTEREST ON MONEY, AND TO REPORT THEREON TO THE HOUSE.

Ordered to report that the committee have met, and examined several witnesses upon the subject; and have directed the evidence taken before them, together with an index thereto, to be laid before your lordships.

List of witnesses.

Die Lunæ, 24° Maii, 1841, George Warde Norman, esq., a director of the Bank of England; Samuel Jones Loyd, esq., banker; George Carr Glyn, esq., banker.

Die Jovis, 27° Maii, 1841, Sir John William Lubbock, baronet, merchant and banker; Samuel Gurney, esq., bill-broker.

Die Martis, 8° Junii, 1841, Joseph Maynard, esq., solicitor; James William Freshfield, jr., esq., solicitor to the Bank of England; James Cook, esq., produce-broker.

Die Jovis, 10° Junii, 1841, George Warde Norman, esq., a director of the Bank of England; Mr. George John Graham, an official assignee of the court of bankruptcy.

Minutes of evidence taken before the select committee of the House of Lords appointed to inquire into the effect of the alterations made in the laws regulating the interest on money.—(*Session* 1841.)

Die Lunæ, 24° *Maii*, 1841.

The lord president in the chair.

George Warde Norman, esq., is called in and examined, as follows:

1. You were a director of the Bank of England both previously to and subsequently to an act being passed in the fourth year of his late Majesty, by which the bank promissory notes were exempted from the law relating to usury?—I have been a director of the bank for twenty years, which of course includes that period.

2. Were you at that time acquainted with the grounds upon which the bank made an application for that exemption?—I was examined before a committee of the House of Commons in the year 1832, on which occasion I expressed a strong opinion that it was desirable that the usury laws should be modified, so as to enable the bank to demand a rate of discount higher than five per cent.

3. Will you state what inconveniences you had observed upon the previous state of the law which induced you to come to that conclusion?—I considered that whenever the market rate of interest was above five per cent., while the law prevented the bank from discounting at a higher rate than five per cent.,

the bank would be driven either to adopt expedients with a view to keeping its issues within proper bounds, which would be exceedingly inconvenient to the public, such as an arbitrary rejection of bills, confining the sum employed in discounts to a fixed amount, shortening the echeance of bills to a very inconvenient extent, or that the bank under such circumstances would be compelled to over-issue.

4. Have circumstances occurred since the law was passed in which, had it not been for the law giving that exemption, material inconvenience would have been experienced by the bank?—Yes; I think that had the law not been altered great inconvenience might have been experienced by the bank in the year 1839.

5. Will you state the nature of that inconvenience?—The inconvenience to which I referred in a previous answer, viz: the circumstance of the rate of interest out of doors having risen to more than five per cent., while the law would have prevented the Bank of England from raising its rate of discount above that limit.

6. Is it your opinion that such circumstances must in the course of events from time to time recur?—Certainly; I think so. During the late war the rate of interest, owing chiefly to the constant demands of government on the money market, was doubtless above five per cent. for considerable periods together, and without having had recourse to some extraordinary and inconvenient expedients, such as those mentioned in a previous answer, I do not see how the bank could have avoided over-issuing.

7. The inconvenience would not have been confined, the committee understand you to say, to the bank itself, but would have extended to the commercial public generally?—I conceive so. I think it is always desirable, for the sake of the public, that any restrictive measure which the bank is compelled to adopt should, as far as possible, act generally, and not partially.

8. Have you, on the other hand, heard complaints of inconvenience arising to any class of individuals from the relaxation of the law respecting usury?—I have heard no complaints of inconvenience implying a wish that the usury laws should be restored. Of course, among men engaged in business, the circumstance of their being obliged to pay a higher rate of discount than five per cent. is not, generally speaking, popular; they prefer accommodation on cheap to that on dear terms.

9. Are you of opinion that the power of requiring more than five per cent. interest ought from any circumstance to be confined to notes issued by the governor and company of the Bank of England, or that it ought to be extended to other companies and other individuals?—My decided opinion is that the usury laws are injurious generally, and that the power of lending money at above five per cent. ought not to be confined to the Bank of England.

10. But without reference to any general alteration or abolition of the usury laws, supposing the exemption to be confined to the interest payable on promissory notes, you do not see reason for making any distinction between those of the Bank of England and those of other bodies?—Certainly not.

11. You state that the law as it now stands is rather unpopular with some of the commercial men; but is it not the case that the discount would very often be refused unless a higher rate of discount than five per cent. could be demanded?—I was misunderstood if it be supposed that I meant that the alteration of the law was unpopular among commercial men, for certainly I am not aware that it is so. As far as my knowledge of commercial men extends, I think it popular, and that a return to the old system would be very unpopular. I merely alluded to the obvious circumstance that at a time when a man who wants discount is charged an increased rate of interest he would naturally prefer a lower rate of interest. Speaking generally, I do not think the present state of the law at all unpopular, and I feel perfectly convinced that borrowers, and

especially needy borrowers, are particularly benefited by the change that has been made.

12. You mean that this power of demanding a higher rate of interest is used by the bank as a check upon the amount of discounts, instead of closing it up altogether, when it is required to reduce such discounts on account of the state of the exchanges?—I mean that at a period when a contraction in some shape or other has become the duty of the bank, to raise the rate of discount is, under certain circumstances, the most expedient means, either of absolutely diminishing the amount discounted, or of rendering that amount less than it would be provided the rate of discount had not been raised.

13. Would not a great many individuals obtain accommodation under those circumstances who would be refused it altogether were no such facility afforded to the bank by law?—I conceive that the tendency of such a measure is to reduce somewhat the amount of discount demanded by each person so as to spread the accommodation more generally, and that therefore persons would receive accommodation under the existing state of the law who would not receive it provided the former restrictions were restored.

14. During the periods of great manufacturing distress in 1839 and 1840, was the present law considered to have been useful to the manufacturers, or the contrary?—I have no particular knowledge of the state of the manufacturing districts, but I have always regarded with surprise and admiration the way in which the mercantile pressure of 1839 was borne. It was very severe, and the number of failures of consequence was certainly small; and I cannot help attributing in some degree the manner in which that pressure was sustained—comparing it with what had occurred on similar occasions previously, such as in 1826—to the state of the law, which enabled capital and loanable accommodation to flow into those channels where it was most wanted and could be best paid for; in fact, into its natural channels.

15. And you think that in former years, when the rate of interest was limited to five per cent., capital did not flow so naturally into those channels where it was most wanted?—I cannot doubt that it did not. I cannot doubt that there were many occasions in which mercantile men who, by paying eight, or nine, or ten per cent., or some high rate of interest, might have obtained the accommodation they required, were driven to ruinous sales, or some expedient for raising money which was infinitely more prejudicial to them.

16. The present law enables them to sustain a severe pressure?—Not being in business myself, I cannot speak from a practical knowledge, which some other persons possess; but such is my opinion.

17. Do the Bank of England discount bills for the manufacturing districts?—Our branches do.

18. Was any great amount of accommodation given by the Bank of England or their branch establishments in 1839?—The amount of discounts, both in London and at the branches, very considerably increased in 1839.

19. Do you know what was the increase in the rate of interest during that period of distress?—No. The rate of interest must have varied according as the bills had a long or a short period to run, or according to the validity of the names upon them.

20. Do you think the present law has the effect of inducing many persons to speculate beyond their capital, or the fair and legitimate means of trade?—I cannot conceive that it can have any such effect.

21. Would you approve of the relaxation of the rate of interest being unlimited, or would you prefer it being limited higher than five per cent. to some certain amount?—I can see no reason why it should be limited at all. It seems to me that to fix the maximum rate of interest by law differs not in principle from fixing a maximum price upon commodities. Of course in any case it would be necessary to fix some rate of interest which a person prosecuted at law should

have to pay upon a debt, but more than that I cannot conceive can be necessary.

22. Leaving it then to individuals to settle the rate of interest between each other?—Undoubtedly; thinking that the lender and the borrower know their own interests better than the legislature can possibly know them.

23. And following in all respects the ordinary relation of supply and demand?—Certainly,

24. When you speak of the market rate of interest being above five per cent., how could that be when the usury laws existed, which prohibited more than five per cent. being given?—The legislature cannot really fix the rate of interest, any more than it can fix the prices of commodities; it can only impose obstacles to the natural action of the money market. There are many modes of evading the usury laws, and that seems to me to be one of their numerous evils, for those modes of evasion are frequently demoralizing to all parties, and most onerous to the borrower. Among them may be mentioned a charge of commission, the sale of annuities, or the borrowing on continuation.

25. And in fact, therefore, they become more oppressive than an increased rate of interest paid in a legitimate manner?—Doubtless so. I should conceive in a great majority of cases the usury laws are eminently prejudicial to borrowers; they drive them to worse channels of accommodation; in some cases the lender must be paid for the risk he runs in violating the law.

26. So that in fact they are most prejudicial to the party for whose benefit they were enacted?—So I conceive, undoubtedly.

27. Can you state to what extent the circulation of the bank was increased in 1839, when their discounts were increased?—I have not the accounts with me; but the circulation of the bank was diminished in 1839. The bank sold securities, and used other contractive means.

28. Are you aware whether the circulation of country banks was increased by granting the same accommodation in discounts at the same period?—I dare say that the country banks acted as the bank did; that they were compelled to use contractive means. I see no reason to imagine that the raising of the rate of discount should have increased their issues; but the accounts are all published, and can be seen.

29. Can you state to the committee whether any resolution has been adopted by the court of directors of the Bank of England upon this subject since the notice was given of this committee in Parliament?—I can read to the committee the following resolution, which was passed upon the 13th of May by the court of directors: "*Resolved*, That the modification of the usury laws at present existing has contributed greatly to facilitate the operations of the bank, and is essential for the proper management of its circulation."

30. And it is your opinion that the same principle would hold good with respect to every other banking establishment?—I conceive it to be desirable for the public that all dealers in money should have the same power of asking what they think expedient for their commodity, as dealers in other articles for theirs; that borrowers and lenders, like buyers and sellers, should adjust their bargains without any legal interference.

31. You think that if the law was to revert to its original state, and the legal interest could not be more than five per cent., it would be upon the whole felt as a grievance by the mercantile and banking community?—Most assuredly it would be felt as a great grievance by those with whom I am in the habit of associating; and I should think, as far as I can judge, generally.

32. Can you state the effect of any alteration recently made by the bank with respect to the echeance of bills?—The shortening the echeance of bills discounted by the bank from ninety-five to sixty-five days is a contractive expedient, the effect of which is to raise the rate of discount in the market upon all bills having a longer time to run than those that are received by the bank. I believe

it produced that effect last year, and perhaps when first adopted. It is a more stringent measure than simply raising the rate, but it would not altogether replace that measure, because in a short time bills would be drawn in such a form as to come within the bank rules, and it might still become necessary to have the power of raising the rate.

33. What induced the bank to adopt that measure last year?—It was a measure which had been frequently thought of, and under the circumstances of the case it was considered expedient to try it, instead of directly raising the rate of discount, as had been done the year before.

34. Was the example followed by other banking establishments who were in the habit of discounting?—In times of pressure bankers are always unwilling to discount long-dated bills. Long-dated bills are those upon which it is first difficult to raise money. But other bankers do not impose upon themselves the rules which the Bank of England adopts; there is no fixed period beyond which they refuse to take bills.

35. Then, the example of the bank was not generally followed last year?—I dare say it was very difficult to obtain discount for long-dated bills, from the circumstances to which I allude, viz: that bankers wish in times of pressure to keep their funds as much within their own control as they can.

36. But you think that many of those persons who were in the habit of obtaining discount from the bank, and whose bills did not come within the rules of the bank, found accommodation elsewhere?—Yes.

37. And that probably at an increased rate of interest?—Yes.

38. They would probably try to find accommodation for the intermediate period between ninety-five and sixty-five days?—Yes.

39. Is that system in operation now of shortening the echeance?—Yes; the bank limit at present is sixty-five days.

40. Notwithstanding there is less pressure now than there was when the rule was adopted?—Yes. I may remark that it was only about the year 1822 or 1823 that the bank commenced discounting bills having more than sixty-five days to run; therefore the measure of discounting bills having ninety-five days to run was itself a modern measure.

41. What was the period at which it was discontinued?—Last autumn.

42. You said that persons would soon adapt their bills to the new regulation of the bank shortening the echeance: has that been the case?—After the echeance was shortened there was a severe pressure, only for a short period, and I cannot say that I have observed the occurrence of that circumstance recently; but supposing the law to exist in its ancient form, and supposing the bank compelled to shorten the echeance as a contractive expedient, I have not the least doubt but that within a short time a much larger proportion of bills would be prepared, so as to fall within the bank rules, in which case the bank might be compelled to shorten the echeance further to forty-five or even to thirty days, or to reject bills in mass.

43. According to the custom of trade, what is the date for which bills are drawn from the United States?—I am not able to answer that question.

44. But in common transactions you do not consider that a bill of ninety days is a very long date?—No; in some trades bills are drawn at twelve months' date; but six months I should say was very common.

45. But previously to the limitation of the echeance by the resolution to which you are now adverting, what was the usual proportion of long bills and short bills?—I do not know without reference.

46. Were not the bills from beyond sea generally long bills?—I cannot say: it did not matter at what date the bill was originally drawn, if, when tendered for discount, it had not, formerly, more than ninety-five days, and now not more than sixty-five days, to run.

47. Do not the same parties frequently renew the same bills upon their expi-

ration for another sixty-five days?—Such things are done, but are not considered altogether very creditable transactions in a mercantile house, except under particular circumstances.

48. Has the bank, at the same time that it curtailed the echeance of bills, reduced the rate of discount to the original rate of five per cent?—The rate of discount was reduced from six to five per cent. about the beginning of last year.

49. At the time when the bank discounted bills at ninety-five days?—Yes, and it still continues to be five per cent.

50. And in no case does the bank take a higher rate of interest than that now?—No; we have only one rate of discount.

51. You have stated that the Bank of England rate of discount is five per cent.; can you state whether the general rate of discount is five per cent., or more or less, at present?—Of course it varies according to the quality of the bills. I have no particular knowledge on the subject, but I should consider that the market rate of discount on fair bills was fully five per cent. now. Two or three months ago it was under five per cent.

52. In speaking of a long bill or a short bill, do you mean bills of sixty-five days, or bills of ninety-five days, or where do you draw the line?—I can hardly say. I consider a bill at two months to be a short bill, and a bill at six months a long bill.

53. But there is no distinct line?—I believe not.

The witness is directed to withdraw.

Samuel Jones Loyd, esquire, is called in and examined, as follows:

54. Have you been engaged in business both before and after the time that the relaxation of the usury laws was enacted with respect to interest payable on promissory bills?—I have been engaged in business both before and after that period, but principally since the relaxation.

55. Were you sufficiently engaged in business previously to the relaxation to be able to state to the committee any amount of inconvenience which, in your judgment, was experienced in the commercial relations of this country from the want of such relaxation?—My observation upon the subject has had reference more particularly to the period subsequent to the relaxation. But when speaking of the consequences which I conceive have ensued both from the operation of the law and from the subsequent relaxation of it, I beg to be understood as being guided rather by general considerations than by personal observation of the results in particular cases.

56. Are you of opinion that considerable convenience has been experienced from that relaxation during the period you have been engaged in business?—I think that the relaxation of the law has been productive of considerable convenience to the mercantile world, and that many evils have been obviated by it.

57. What would have been the effect upon trade, under any given circumstances that have existed during any given time, had that relaxation not been enacted by law?—Had the law which fixed the maximum rate of discount at five per cent been maintained in operation, it would have produced inconveniences of two kinds. In some cases parties requiring the command of money would have been unable to obtain it, and would consequently have been subjected to many very serious evils, such as forced sales of their goods at ruinous prices, injury to their general credit, and in many cases actual suspension of their payments; in other cases parties would probably have obtained the money by resorting to circuitous contrivances for the purpose of evading the law, which would necessarily have entailed upon them great additional trouble, discredit and expense.

58. Would that inconvenience have been great if the relaxation had extended only, as at first it did extend, to the interest payable upon bills discounted by the Bank of England?—The inconvenience would certainly have been great in

that case. It is not very easy to trace in detail the consequences which would have ensued; but it must be perfectly clear that when the real market value of money and the rate at which the Bank of England discounts are above five per cent., the different parties by whom that money is distributed throughout the trading community would be driven to many awkward and very inconvenient contrivances, if they could not directly charge a rate of discount equivalent to the real market value of money at the time. They would of course limit their advances upon discount as far as they possibly could, and endeavor to employ their capital through some other channel, in which, directly or indirectly, a higher rate of interest could be obtained; consequently those persons who sought money through discount would find a greatly increased difficulty in obtaining it, and of course the pressure of this inconvenience would fall principally upon the persons who, holding an inferior class of securities, or being themselves of dubious responsibility, could present the least temptation to the lenders.

59. Would that inconvenience have been felt to the extent, in your opinion, of increasing the number of bankruptcies in periods of difficulty or alarm?—I have no doubt that every artificial obstruction to the free distribution of capital among the different branches of the trading community tends to produce embarrassment and bankruptcy.

60. Are you of opinion that there are many bankers who would continue to advance money to shopkeepers and others at five per cent., if the amount of interest was limited to that, even were the ordinary rate of interest above that?—It is very probable that, even if the ordinary rate of interest was above five per cent., and if the legal charge upon discount was limited to five per cent., there would still be advances made by bankers through the form of discounts. Those advances the banker would of course endeavor to reduce to the smallest possible amount. In making that reduction the bankers would reduce the amount of their advances upon discount more or less efficiently, according to the character and value of the customer with whom they were dealing; an inferior class of customer would probably have discounts refused them altogether, and a superior class of customer would have a more limited amount accorded to them. In reality the compensation to the banker for his loss in advancing money upon discount at a rate below its real value would be found in the value of the accounts kept with him by the parties to whom such advances were made. Those who kept an account with the banker valuable on other grounds, would, in proportion to the banker's estimate of the value of their accounts, still have a proportion of his funds advanced to them upon discount; whilst to other classes of customers such advances would be altogether refused, or they would be made in some other form by which the operation of the usury law might be evaded.

61. So that the most needy person in trade would suffer the most from not being able to obtain an advance at more than five per cent.?—Undoubtedly.

62. Do you discount bills yourself?—Frequently.

63. Have you any objection to state to the committee at what date the bulk of the bills are drawn, that you discount?—Not the least objection. I should say upon the average from two to three months, not at all meaning by that that there are not a great many bills discounted that have a longer period to run than three months, and many which have not so long to run as two months.

64. Are there periods in which you make a distinction between long and short bills, in which you diminish the number of long bills that you discount, and continue to discount short bills only?—Our regulation with regard to the character of the bills that we discount is continually varying more or less, according to the varying state of the money market. When money is valuable, of course the rules with regard to the character of the bills we discount, and especially as regards the length of time that they have to run, are more strict; when money is less valuable, the rules are relaxed.

65. Do you impose any limit at all yourself as to the length of the bills you discount?—The ordinary limit is, that we do not discount bills having more than three months to run; but under peculiar circumstances bills are discounted having a longer period to run; bills for six and even twelve months; but those are occasional only, and indeed rare occurrences.

66. Have you had an opportunity of observing the effect of the resolution to which the Bank of England recently came, of limiting the echeance at which they consented to discount bills?—I cannot say that I can distinctly trace the practical effect of that measure in particular instances; but I have no doubt that at the time the measure was announced it produced a beneficial effect, in contracting confidence and credit, and in limiting the efficiency of the circulation then afloat. It had also a tendency to shorten generally the period at which bills were discounted.

67. So that it led other bodies and individuals, who are in the habit of advancing money, to follow in some degree the same track, by giving a preference to short over long bills?—It certainly tended to produce a general contraction of credit.

68. And you think that effect was, upon the whole, beneficial?—I have no doubt of it.

69. Would the same effect have been produced by raising the rate of discount?—The same effect in many respects would have been produced. The tendency of both measures, raising the rate of discount, and shortening the echeance, is to produce a contraction ofer edit, and to raise the value of money, by diminishing the demand for it which can be made by the public upon the Bank of England. This is effected in the one case by raising the price which must be paid for money, and in the other by limiting the amount of bills which can be presented for discount.

70. Would not the operation of that alteration be in the first instance severe upon persons connected with the trade of the United States and the East Indies?—I am not aware that it would affect those more seriously than other classes of traders. The trade to the East Indies is generally conducted upon a longer credit than most other trades, on account of the distance, and therefore the great lapse of time that is requisite to bring the returns round; but a large portion of that length of credit must always be borne by means of the resources of the parties entering into the trade. When the bank altered its echeance from three months to two months, I do not apprehend that the effects of that measure would fall with more severity upon trades carrying on their business upon very long credit, than upon those who carry it on at a shorter credit, provided the resources of the parties were proportionate to the length of credit usually required in the trade in which they were embarked.

71. Were the restriction upon the amount of interest to be resumed, as it was previous to the 4th of William the Fourth, have you any doubt that considerable inconvenience would ensue to the commercial world?—I have no doubt whatever that a restriction upon the rate of interest to five per cent. would, whenever the real market value of money rose above five per cent., be productive of considerable inconvenience. It would disturb the natural course of transactions, and divert capital, to a greater or less extent, from the channels in which it would otherwise flow.

72. But the law might be evaded even then?—The usury laws in all countries and at all times have been evaded to a very great extent, and much of the evil that would really ensue from the actual enforcement of the law is obviated by that course; but I apprehend that the evasion necessarily entails considerable inconvenience and expense upon the parties resorting to it; in other words, upon the borrowers.

73. What effect do you think the relaxation of the usury laws had upon the manufacturing districts during the period of the distress in 1839?—I cannot

doubt that its tendency is to alleviate the inconvenience of pecuniary pressure, by enabling capital to flow in all directions, according to the intensity of the demand.

74. And you think that great relief was actually afforded during 1839 by the law as it at present stands?—I do believe firmly that many inconveniences that otherwise would have occurred were obviated by the state of the law alluded to.

75. The manufacturing interest would, in your opinion, be exposed to those inconveniences now if the law was to revert to its former state?—Certainly. I do not know that the manufacturing interests are more concerned than any other interest in this question. I should say all persons having to carry on their concerns, or relying for the regular discharge of their engagements at all times upon the facility of obtaining money upon loan or discount, would, by the re-establishment of the usury law, be exposed to serious inconvenience whenever the real value of money should exceed the legal rate.

76. In short, all persons relying upon credit?—Yes.

77. Upon which most concerns in this country are now carried on?—Undoubtedly.

78. At what rate do you discount bills?—The rate of the Bank of England at present is five per cent. The market rate till lately has been under that, but at the present moment it is about five per cent.

79. You mean, of course, the rate upon good bills?—Yes; the fair average market rate.

80. Have you ever heard any complaints among the mercantile community, or the manufacturing community, of the law as it now stands?—When the rate of interest is rising I have heard many persons say that they do not like paying so high a rate; that so many months ago they were paying a lower rate, and that they are sorry to find the rate higher now. Just as in any other case, when the price of any article rises the purchasers do not like it, and in many cases give expression to that feeling.

81. Would it not be the case that those persons who complain of that rise in the rate of interest would be without the accommodation if the law did not permit that increase of interest to be charged?—Certainly; if I, as a banker, was, in consequence of the state of the law, driven, by a regard to my own interests, to employ my money in other channels instead of advancing it to my customers upon discount, because they cannot legally pay me the real value of money, the complaints of the parties thus deprived of their usual supply of money upon discount would of course be of a much more serious and pressing kind.

82. And that rise in the rate of interest is not arbitrary, but is dependent upon the value of money in the market?—Certainly; in a country where there has been an immense accumulation of capital, and in which, therefore, there exists an intense competition among the lenders of money, it is hardly possible that the value of money, that is, of capital, can be arbitrarily maintained above its natural level. If a banker or any other person was known to be charging more than other parties were charging, he would soon lose the power of employing his funds in that form, and he would suffer in the other interests of his concern infinitely more than any advantage that he could gain by his attempt to exact an excessive rate of interest.

83. The laws of competition operate upon that as upon everything else?—Precisely.

84. During the period of great commercial pressure in 1839, can you state to the committee to what amount the rate of discount upon good bills reached?—The average rate of discount by bankers, I should say, never exceeded six per cent. I do not mean that there were no transactions at a higher rate, but they bore a small proportion to the mass of transactions which were adjusted at six per cent.

85. Can you give the committee any idea of the amount of bills discounted in

any given time, taking one time with another?—I could not give an estimate. I can only state generally that the amount is immense.

86. During the great commercial distress that existed in 1839 and in 1840, and the great drains that there were upon the Bank of England, were the generality of bills discounted as low as at six per cent.?—Many discount transactions I do not doubt were adjusted at rates varying from seven up to ten per cent.; but if you were to look into the books of the bankers in London I believe you would find that five-sixths of their discounts were at six per cent.

87. What was the highest rate demanded by the bank at that period?—Six per cent.

88. Are a vast amount of bills from Liverpool and Manchester, both mercantile and manufacturing, discounted in London?—A great many; and when I say that they were discounted at six per cent., I ought to observe that I am judging rather from the average rate shown by the transactions of bankers. If you were to look into the accounts of bill-brokers and persons of that kind, I am inclined to believe that their average rate of discount at the period in question would be found to have been something above six per cent.

89. Are country bankers in the habit of sending up bills to London to be discounted?—That is done by many country banks.

90. Would they not very often be prevented from procuring assistance which might be of the utmost importance to them, were the amount of interest strictly limited to five per cent.?—Those that rely upon discounts of course would be exposed to inconvenience; but I apprehend that the effect of such a restriction would be rather to teach them the necessity of relying upon other resources; they would rest more upon the sale of government securities, and less upon the discount of bills.

91. You do not consider that the law, as it at present stands, gives any undue facility to procuring money upon transactions that are not real?—I do not perceive in what way the present state of the law can be considered as giving undue facility to such transactions. I should think the tendency of the law must rather be to put down those indirect modes of raising money which are proverbially pernicious to the parties who resort to them.

92. Does any detriment appear to you to arise from the relaxation of the law with regard to usury?—No; I think the relaxation of the law is a measure founded upon sound general principles, and that you may safely trust to the results proving beneficial and not detrimental to the community.

93. Is the law as it at present stands injurious to retail dealers, as they complain that they are not able to obtain money at the rates they formerly did before the law was changed?—I do not conceive that the law as it now stands can by any possibility be really injurious to retail dealers. An impression seems to exist on their part that it is within the power of usury laws to fix a maximum price upon loans of money without thereby interfering with the regularity or the sufficiency of the supply of it, and thus injuring the interests of the borrowers. Every class of consumers would, upon this principle, call for laws to fix the maximum price which the producers should be permitted to charge for the commodities which they respectively supply. With respect, however, to all other commodities, it has long been recognized that free competition between the purchaser and the producer is the surest mode of securing regularity in the supply, and in the end cheapness of price; and that any attempt to interfere by law with that free competition would fail to secure lower prices, and must in the end prove injurious to the interest of the consumers. A contrary impression with regard to money still remains on the minds of some classes, especially of small tradesmen; and the continuance of this impression with regard to money, after it has been repudiated with regard to all other things, is attributable, I conceive, to the indirect sanction given to that impression by the long continuance of the usury laws. I feel confident, however, that no valid reason exists for supposing

that money is not subject, like every other commodity, to the general law which determines that free competition is the best mode of securing the interests of all parties concerned.

94. May not the facility of getting money in this way induce individuals to carry on a losing speculation, so that in the end nothing is left for their creditors?—In proportion to the facility of obtaining money, of course there will exist a facility for carrying on concerns either beneficial or of an opposite character; but I apprehend more mischief than good would arise from any attempt on the part of the legislature to supply the place of individual prudence and discretion in such matters.

95. Do you think that there exists a desire in the mercantile community and among bankers that the present law, which is now temporary, should be made permanent?—I think there is a general feeling that the usury laws are laws which belong to a bygone age, and that it would be wise altogether to discard them.

96. And the operation of the present law has been considered so satisfactory, that those opinions are now confirmed by experience?—That is my own opinion, certainly, and the opinion of most of those with whom I associate; I should say that it is the opinion of a large majority.

97. And you are not aware of any dissentient opinion?—I cannot say that; I certainly meet with individuals who still entertain doubts about it, and who are not satisfied with the results; but I must say that they never appear to me to assign reasonable grounds for their opinion.

98. Are those objectors to be found among the borrowers or the lenders?—They are principally among the borrowers; but now and then among the lenders I find persons who entertain such an opinion.

99. When you speak of the general feeling, you speak of the general feeling of the commercial community?—Yes.

100. Not of the community at large?—I can only say, that of those with whom I am brought into intercourse, a very large majority consider the usury laws to have been founded upon false principles, and that they ought to be repealed.

101. Do you consider that the removal of the restriction has had the effect of extinguishing or materially diminishing the number of those well-known discreditable lenders who succeeded by circuitous means, previously to that law, in obtaining very large interest for money?—I cannot say that personally I have had knowledge of those parties; my view is founded more upon general considerations than upon actual personal knowledge of the transactions that took place under the operation of the usury laws; but I have no doubt whatever that the suspension of those laws has removed some of the impediments which previously existed to the free distribution of capital, the existence of which impediments necessitated parties to resort to very circuitous practices for the purpose of evading them. A statement of the nature and effect of those practices appears in the evidence before the committee of 1818, and I have no doubt they continued subsequently to that evidence, the same as then described.

102. The only effect of the law being, therefore, to raise the rate of interest to the borrower?—The effect of the law being, where it was evaded, to increase the expenses of obtaining money to the borrower, and where it was not evaded, to drive him to other means far more injurious to his interests.

103. Would an expensive young gentleman find a greater facility of raising money now than he did before?—I do not know that I am more competent to answer that question than any other person, but I apprehend that before the alteration of the law, persons so circumstanced did find, without very great difficulty, the means of raising money, but that the effect of the law was to throw them into the hands of less reputable people, and also on other accounts to subject them to very heavy expenses for the risk and trouble and discredit of the

proceeding. Under the present state of the law it is possible that the money might be obtained through channels a little less disreputable and a little less costly; but I do not think the alteration that has taken place in the law really affects cases of the sort contemplated in the question.

104. A person of that description would not be able to get any credit from a banker, or a person who was in the habit of discounting bills?—No.

105. He would go to the class of persons that he went to before?—Yes; that class of transactions are quite out of the line of commercial transactions.

106. Would the person to whom he was in the habit of applying before, lend the money now upon the terms on which he formerly lent it, or upon lower terms?—I really do not know; but I should think that the alteration of the law which we are now discussing would not materially affect the process.

107. What do you conceive would be the effect or has been the effect of that restriction in the rate of interest upon the employment of bankers' money?—I apprehend that during the war, when the market value of money was above five per cent., and the legal rate of discount was limited to five per cent., the effect was to create a general inducement with bankers and other lenders of money to employ as small a portion as possible of their funds in discounts, and as large a portion as possible in other channels, principally in supporting transactions in the public funds; so that in fact it diverted a portion of capital, which would otherwise have been employed in discount business, to the stock market, where, when the real value of money is above five per cent., the legal restriction can be easily evaded.

108. So that in fact the mass of accommodation to the small trader was thereby actually diminished?—I conceive diminished to a very considerable extent.

The witness is directed to withdraw.

George Carr Glyn, esquire, is called in and examined, as follows:

109. You have been in business both previously to and subsequently to the time when the limitation upon the rate of interest of money was relaxed by the legislature, as far as respected promissory bills?—I have.

110. Can you state whether any inconvenience was experienced from the want of that relaxation, previously to the act of William the Fourth, and what have been the effects of that relaxation since?—There was considerable inconvenience experienced from the want of the relaxation; and as far as can be collected from the short experience we have had, I can speak to the great convenience that has resulted from the relaxation.

111. Can you state the nature of the inconveniences, generally, that were experienced before the relaxation, and what class of persons were more particularly affected by them?—The money-dealers in general felt the inconvenience to a very considerable extent. As a banker, I may say that it prevented us from carrying on the usual system of discount for a particular class of customers, namely, shopkeepers, and factors and retail dealers, during the time when the actual market value of money exceeded five per cent. It also, I think, tended to encourage speculation in the London market in all foreign securities bearing a comparatively high rate of interest.

112. So that in fact the number of persons that you could accommodate under those circumstances was necessarily reduced?—We, as a part of a system, have always acted upon a cessation of discounts to a particular class of our customers, from the consideration that there is a description of bill in the market which ought, under ordinary circumstances, to carry with it a higher rate of interest than is generally the case upon the first-rate mercantile security.

113. On account of the inferiority of the security?—The inferiority of the security.

114. Were you at all governed in the diminution of the amount of bills

discounted, besides the fact of the degree of insecurity attaching to parties, by the length of the bills for which discount was demanded?—Yes; also by the length of the bills.

115. Have you, since the relaxation has taken effect, heard many complaints from parties, on occasions on which you were justified, by the state of the money market, in requiring them to pay more than five per cent.?—I cannot charge my memory with a single instance of a complaint of any party for having been charged more than five per cent. during the short period in which that was the practice. I know many instances in which parties have expressed themselves under obligation at our taking paper at six and six and a half per cent., from the recollection which they had that under former circumstances we had positively refused to discount similar paper.

116. Have you any doubt that the tendency of your refusal, and that of others similarly circumstanced, to discount bills, in consequence of not being able to charge more than five per cent. interest, would be to increase the number of bankruptcies among the retail dealers applying for discounts?—Whether it would actually increase the number of bankruptcies I am not prepared to say, but that it would increase most materially the difficulties under which that particular class of traders found themselves placed I have no doubt. I recollect perfectly that under the old system there was a possibility on the part of those small traders of getting their bills discounted under certain circumstances by the payment of an enormous commission upon them, which amounted to a much higher rate of discount, when calculated as interest, than that which is charged under the present system.

117. Can you state the proportion between long and short bills that you are in the habit of discounting?—The bills that are generally discounted in London by bankers are bills of three and under three months; there are many of longer date; probably one-fourth of the whole amount would exceed three months.

118. Has, in your opinion, the resolution recently come to by the Bank of England, to limit the period of echeance of bills that they discount, had the effect of introducing a corresponding practice among bankers and others who are in the habit of discounting?—No, it has not. We have been content to charge a higher rate of interest on the longer bills, but have not acted upon any absolute refusal of them.

119. What is the highest and what is the lowest rate of discount?—The period during which these higher rates were charged did not last more than six or eight months, and the highest rate that we ever charged was six and a half per cent., from six to six and a half, generally.

120. What is the present rate?—The present rate is five per cent.

121. Is any commission charged now?—No commission is ever charged in London by bankers; the bill-brokers and intermediate agents occasionally charge a commission.

122. What is the actual interest paid in those cases?—It depends upon the character of the parties; I believe five per cent. is the charge, but a small commission in some cases. One important operation of this act has been to draw temporarily a great deal more money into the discount market; during the time of pressure the quantity of money that was drawn into the discount market from the increased rate of interest was very considerable, and that tended to relieve the moneyed interest and the dealers in London.

123. You are alluding to 1839?—Yes, and the beginning of 1840, during which the pressure existed in London.

124. Do you conceive that it must have afforded great relief in the manufacturing as well as the agricultural districts?—As far as my knowledge would enable me to say, it afforded great relief. I have conversed with many bankers and mercantile men, and I have seldom found any difference of opinion upon the subject, as regards those statements which have been made of parties having

been ruined from paying a higher rate of interest. It is not correctly applicable to the new system; on the contrary, parties are now able, I should say, to get money at a cheaper rate, because, as the dealers in money have a larger supply and can charge more than five per cent. legitimately, they are not driven into the hands of those intermediate parties who were, in point of fact, eating them up by the commission charged.

125. In fact they are now able to go to respectable sources, which formerly they were precluded from doing?—I take the liberty to give the instance of our own house under the new system; we have discounted for shopkeepers in London in time of pressure; formerly we did not do it. We employed our money at the highest rate of discount we could get, five per cent., but upon the most undoubted securities.

126. Does the bill-broker always intervene between the principal borrower and the lender?—No, not always.

127. Where he does, you cannot tell what rate of interest is paid by the borrower?—Except as a matter of information derived from brokers.

128. What is the commission that they charge?—From an eighth to a quater, generally speaking.

129. The only person who runs a risk is the person who lends his money?—That depends upon the transaction with the third party. The party who gives the money to the broker may say, and very of tendoes, "I demand your guarantee upon this." The practice of the bill-brokers in London is to buy the bill of the party; it becomes his, and therefore he can afford to get rid of it with his guarantee if he wants to raise money at the time.

130. He carries it to a banker?—Yes; or sends it to a country banker, or keeps it on his own resources.

131. Are you in the habit of discounting bills from Manchester and Liverpool?—Not direct. The transactions of Manchester and Liverpool are now very much conducted through the bankers there; the London brokers do a great deal of business with those places through the local bankers.

132. You are not able to say, from your own knowledge, what amount of relief the present law has given to manufacturers?—No, I am not.

133. If a young gentleman wants money, can he get it through a bill-broker?—If his security is good.

134. Does the present state of the law afford him facilities for getting money which he had not before?—I suppose a young gentleman must go through the same process as he did go before; he must go to the money-dealer, and he will charge him according to the character of the security of the young gentleman; that was the practice before, and I think continues to be the case; I think it likely that the money-dealer, if he is responsible, may now have some greater facility in getting a bill discounted through his banker.

135. That is owing to his personal responsibility, and has nothing to do with the other transaction?—Exactly.

136. You do not consider that the present law gives any undue facility to those unreal transactions?—I have no reason to believe that it gives them an additional facility.

137. Have you ever heard complaints of that in the bankruptcy court?—I have heard of complaints in the bankruptcy court that there was a system carried on in London which would very often destroy a man's estate, but I have not heard complaints of a stronger character recently than were made before the law was altered.

138. Have you not heard that in the last four years there have been most gross instances of ruin being brought upon parties from the high rate of interest charged?—I have heard of instances in the last four years, and I have heard of instances before, of the same process being gone through, and the same effect produced, before the relaxation of the law.

139. But attributable to the change in the law?—No, not attributable to the change in the law.

140. You speak of more money having been brought into the market by these means during the crisis of 1839 and the beginning of 1840; from whom did that money come?—The instances to which I allude, of my own knowledge, are the lending of large sums of money by insurance companies and other large bodies in the city, that otherwise would have employed them in the public funds.

141. Instead of investing the money in the public funds, they brought it to the bill market?—The inducement of the high rate of interest led them to bring their money to the bill market.

142. Which was so far a facility to the borrowers?—Temporarily it was so far a facility to the borrowers.

143. As far as you know, there is a general feeling of satisfaction among mercantile and commercial men with the law as it now stands?—Decidedly; as far as my personal experience goes, the opinion of mercantile men generally is in favor of the present state of the law.

144. And that it should be made permanent?—Yes.

145. Do you apprehend that the alteration in the law has had any effect upon the premium given upon exchequer bills?—I think that is almost a natural consequence; it has affected the price of foreign securities most materially, and that is a most important and beneficial object as regards the operation of this law; of course, if it affects that description of securities, it would affect our own in some degree.

146. In what way?—It has diverted that money which otherwise would be employed in foreign securities into the discount market.

147. The person who under former circumstances would have bought exchequer bills, to replace the money that he might not want, now lends it out at a higher rate of interest?—Yes.

148. The market, then, could not bear the same amount of exchequer bills that it did before?—Not with a high rate of premium.

149. You cannot calculate the extent to which the demand has been less in the exchequer bill market?—I should doubt whether there was any means of doing that, because it is governed by so many circumstances that are continually varying. Last week the premium was down at 2*s.*, and to-day up at 10*s.*; it is governed by accidental and temporary causes.

150. But a high premium upon exchequer bills would be, to a great extent, an indication of a bad state of trade and want of confidence in transactions that were going on?—In some degree, but rather an indication that there was an idea that, from some approaching cause, there was likely to be a larger supply of money in the market.

151. Has not the business of discounting been rather an increasing business for the last three or four years, not with reference to the law, but with reference to the manner in which it is carried on?—For the last eight years it has.

152. It is getting to be the system upon which the business of this country is carried on?—Decidedly, to a great extent.

153. Do you consider that that change is attended with any injurious consequences to trade?—Not the slightest; on the contrary, I believe it is of advantage under certain limits.

154. Therefore, any facility you can give to discounts is a facility given to the general mercantile business of the country?—Decidedly.

155. Has it not the effect in some degree of equalizing the demand and supply?—To a very great degree.

The witness is directed to withdraw.

Ordered, That this committee be adjourned to Thursday next, 1 o'clock.

Die Jovis, 27° *Maii*, 1841.

The lord president in the chair.

Sir John William Lubbock, baronet, is called in, and examined as follows:

156. You have been a good many years connected with business in the city of London?—Yes, I have.

157. Have you been so both previously to and subsequently to the relaxation which was enacted a few years ago relating to interest payable upon promissory notes?—I have, as a merchant, but not as a banker.

158. You at present act in both capacities?—I do.

159. Can you state to the committee whether any inconvenience was experienced with respect to the accommodation to be obtained by such bills in consequence of the limitation imposed upon them by the usury laws?—My own opinion is that the change is generally beneficial. As a merchant I am not in the habit of discounting bills; as bankers, we are; and we feel greater readiness to afford facilities if we get a better remuneration for it.

160. Would you, as a banker, be influenced in the amount of advances you would make upon bills of that description by the circumstance of your being enabled, under particular circumstances, to charge more than five per cent. interest upon them?—In some cases we should. Every one is governed by his own opinion. We prefer short paper, even at a lower rate of interest, because it is more at command. Bankers are subject to calls for money at particular times, and it is desirable to keep the business under command as much as possible, which is more easily done if we employ money at short than at very long dates.

161. You would consider, then, the exemption from the law as chiefly facilitating the negotiation of bills that had some time to run?—That has been the case; but if I recollect rightly, it was only for a short time that the interest of money was beyond five per cent. upon bills of all dates; but for a greater length of time it was customary to charge more than five per cent. upon paper having more than two months to run. I am speaking now of the custom of bankers.

162. Has the rule, recently adopted by the bank, of limiting the echeance of bills had the effect of influencing bankers, and persons in business generally, with respect to the date of bills discounted by them?—I believe that it has.

163. Have you heard of any inconvenience being experienced by persons in business, either in wholesale or retail, in consequence of the relaxation of the law which has taken effect during some years past?—No, I have not.

164. Are you of opinion, generally, that a larger amount of bills has been so discounted in consequence of that relaxation having been enacted?—I should think it has; probably greater than would have been at that time if there had not been that relaxation, but not within my own experience, and possibly not within the experience of bankers generally.

165. Are you aware of many complaints having been made by shopkeepers, and persons of that class in business, in consequence of their being required to pay more than five per cent. for the advances which they usually received from their bankers?—Those complaints have not come much before me; but I believe that much paper has been discounted in the city at higher rates than five per cent., and of course it must be inconvenient to parties to pay so high a rate of interest as has been paid in many cases.

166. You say at a higher rate than five per cent.; can you state how much higher the rate charged has gone?—I cannot, because in our own practice we have never charged beyond six and a half per cent., nor have we ever charged a commission; we prefer short paper to long, and therefore even those cases in which we charged six per cent. (except when the bank rate was six per cent.) bore a small proportion to the paper we had under discount.

167. But the rate charged by other persons has been much higher?—I have understood so, but not by bankers; and I do not know it of my own knowledge.

168. From the rumors you have heard, or information you have had, do you suppose that it ran up to eight or ten per cent.?—I should think so. We never charge a commission beyond the rate of discount; but in times when money is scarce I believe it has been usual for bill-brokers to charge a commission beyond the rate of discount. If you add that to the discount, and consider it as discount, the rate may easily come up to eight or ten per cent. Perhaps I ought to explain that our rule, as bankers, is never to discount, except for our own customers, or through a bill-broker.

169. In the event of a much higher rate of discount having been charged lately by reason of the relaxation of the usury laws, do you conceive that that was an additional accommodation given to the public, or that it was accommodation that would have been given prior to that relaxation at five per cent.?—If money had not become more tight it would. The quantity of paper that we have under discount now, beyond three months, is comparatively small; and the quantity that we ever had at six per cent. was small, except between the 31st July and the 23d January, 1840, when the bank rate was six per cent.

170. Your previous answer having referred to a higher rate of interest than that charged by yourself, the question that is now put refers to paper of that description; do you conceive that that paper would have been done at five per cent. if the relaxation of the usury laws had not taken place?—I do not think it would, to the same extent.

171. Then you consider that the effect has been, not to raise the charge upon business which formerly would have been done at five per cent., but to enable business to be done which at five per cent., would not have been done at all?—I do not think that follows from my previous answer. It depends upon whether it is *cæteris paribus*. If money remains in the same state that it was before, then it would have been done; but if there were a press for money I do not think it would.

172. In fact, did the relaxation of the usury laws come into operation at all, except so far as there was a press for money?—I should think not.

173. Would not the effect of that pressure taking place during the period that the restriction with respect to usury was in force be to induce bankers to employ their money in another description of security than that of discounting short bills?—I think not, because as we only discount for our own customers I do not think that it would make very much difference; but there is a great deal of paper discounted in the city, not by bankers.

174. Do not many bankers discount for others besides their own customers?—I believe not; we do not; but we also occasionally employ money upon bills through a bill-broker.

175. When you say you employ money upon bills distinctly from discounting bills, what do you mean?—I mean that we do it through a bill-broker If we want to employ money we may say to them, "Bring us some bills and we will discount them with your guarantee;" or we employ money with them at call at a certain rate of interest.

176. When you employ money at call with a certain rate of interest, is it ever beyond five per cent. interest?—Yes, it has been five and a half per cent. when the bank rate was six per cent.

177. Though you do not yourself discount otherwise than for your own customers, is it not the general practice of bankers to employ their money on discounts?—I should think only for their customers, or through the leading bill-brokers.

178. Is not the more extended use of the bill-broker, as the intermediate agent between the banker and the borrower of money, a practice which has

extended very much of late, and which is rather of modern than of ancient origin?—I apprehend so; but it is beyond my experience.

179. You have stated that the interest upon bills having not longer than three months to run has for the most part been confined to the old rate of interest of five per cent., but that longer bills have been in circulation at a higher rate of interest; do you think that it is for the general benefit of the commerce and credit of the country to encourage the carrying on of the trade of the country upon a more extended system of credit; the ordinary business of the country being confined within the three months' credit, has not the tendency of the new law been to enlarge the periods of credit, and to put the whole business of the country more upon credit and upon paper circulation than it otherwise would have been?—That is not my opinion; but it is a difficult question, and I wish to give the opinion with much diffidence.

180. Is it not within your knowledge that there are many kinds of business that are conducted upon long credits?—Certainly.

181. And that that system had obtained before this relaxation of the usury laws?—Certainly; but my own impression is that the tendency of circumstances has been latterly to diminish length of credit. I think that notwithstanding the increase in the rate of interest or in the rate of discount which has been charged, the difficulty that has been put in the way latterly of discounting bills of a longer date than three months has operated to diminish the length of credit.

182. Will you explain what you mean by the difficulty that has been recently put in the way of discounting longer bills?—I know that in our own case we have latterly objected to long bills. I believe the Bank of England did so; I believe they would not discount bills having more than 65 days to run.

183. Then by difficulty you mean the regulations which the Bank of England and other bankers have thought fit to establish?—Yes.

184. You say that the Bank of England have lately established the principle of not discounting bills beyond three months; was it not always the practice of the Bank of England?—I speak with great hesitation of the practice of the Bank of England. I speak of our own practice with greater certainty.

185. Can you state what is the general date for which bills from China are drawn?—I have no transactions with China.

186. If the Bank of England makes a restriction not to discount bills having more than 65 days to run, does that force all holders of longer bills to go into markets elsewhere to find accommodation?—I presume it has that tendency.

187. Therefore the Bank of England does not afford that accommadotion to the trade of the country which exists in bills of a longer date than 65 days?—Yes.

188. That forces the persons dealing upon such credits into the hands of persons who may charge interest according to the wants of the parties or the circumstances of the times?—Yes.

189. You have stated that though the houses of good credit seldom go beyond five or six per cent., yet that houses of smaller dealings have been obliged to pay rates that have run up as high as even ten per cent., finding no accommodation for that particular species of bill with the Bank of England?—I do not think I discriminated between houses of good credit and houses of inferior credit. I merely meant to discriminate between bills of a certain date and bills of another date; and I stated that bills of a longer date than two months had sometimes been discounted at a higher rate of interest. I apprehend the question of credit does enter into the negotiation of the bill, but it does not with us, as bankers, as regards the rate of interest we charge, and therefore I cannot speak of my own knowledge, for we never discount, except for our own customers, or through the bill-brokers.

190. What description of business is carried on in bills of a longer date?—It comes within my knowledge that the wine business is generally carried on in bills of longer date.

191. Are the India and China trades also carried on in bills of a longer date?—I apprehend they are, but I have no transactions with India and China.

192. Can you state upon what length of credit the great manufacturing business of Manchester, Birmingham, Leeds, and the great manufacturing towns is usually carried on?—No, I cannot.

193. Do you know whether it is in bills coming within the 65 days which are discounted by the Bank of England or not?—I think it varies very much, according to circumstances.

194. You stated that it was only for a short time that the rate of interest was raised from five to six per cent.; during what period was that; was it in the period of the manufacturing and commercial distress in 1839?—It was from the 31st of July, 1839, to the 23d of January, 1840.

195. But the interest has now returned to its original rate?—We do not charge above five per cent. for anything now.

196. Would you not consider, then, that the price of money regulates itself like everything else, and that the law comes into operation only when money is really worth more than five per cent. in the market?—I think so, decidedly.

197. Therefore the law allowing that relaxation must be, on the whole, a benefit to the mercantile and commercial affairs of the country?—I think so, decidedly.

198. When the rate of interest rises above five per cent., though it may not affect houses of credit, has it not an immediate tendency to oppress parties in a less state of credit; does it not fall heavily upon the smaller traders of the country?—My impression is the contrary, because I think they would not get the money at all if they did not pay the price for it.

199. At the same time the larger trader in good credit is still getting his money at five per cent., does not the variation in the rate of interest immediately press upon the man not so favored in point of credit; at least does it not do so to the extent of making him pay a higher rate of interest for his money; not entering into the question whether, under other circumstances, he would get his money at all, does it not in truth press more severely upon him than upon any other class?—My own impression is the contrary, because if a man wants money he is willing to pay the price for it, if he must have it. I can speak to the committee with greater certainty of the cases which come within my own personal knowledge than of those that do not; and with regard to our own practice, we are not generally in the habit of making a difference between one customer and another in the rate of interest which we charge.

200. You say that persons in an inferior state of credit would not be able to get their money at all unless the rate of interest was advanced?—I have not myself laid much stress upon the difference of credit; I have laid stress upon the difference of the time of the bills.

201. But the question was, whether, though this change in the rate of interest may not have fallen heavily upon houses in good credit, it does not fall heavily upon houses of middling and inferior credit, and your answer was, that you thought it beneficial to them, because without the increase of the interest they would not have obtained the accommodation?—I include houses of good credit, and I put the houses of good credit and the houses of inferior credit together, and I think that neither of them would have got the accommodation upon bills of a certain date without paying an additional rate of interest.

202. You have stated that there is a certain description of paper which would not be discounted at all but under the permission of extending the rate of interest; what would have been done with that capital that has been so employed if it could not have been lent at eight or nine per cent.; would it not have been

lent at five per cent.; would it not have been lent at the highest rate which the law permitted, if there had been a restriction; can the relaxation have created any new capital to be employed for the general facility of commerce?—That is a very difficult question to answer. I think it does, to a certain extent, because the money might have remained unemployed, or it might have been invested in other ways.

203. For instance, if bankers, speaking generally, have a large sum to employ in discounts, which most bankers have, if they could not get seven or eight per cent. for it, would they not employ it at five per cent.?—I think bankers would, but not readily, upon the long paper; and bankers are expected by some of their customers to grant them accommodation when they require it, which places bankers in a different situation from other parties.

204. But with respect to long paper, which may be said to be a legitimate paper in the trade in which it existed, such as the India or China trade, or trades so accustomed to be carried on, would it not have been discounted, and was it not discounted, and pretty freely discounted, before the alteration of the usury laws?—Yes, I think it might be, under certain circumstances; but when a pressure of money arises, people are more unwilling to take bills of longer date than they would have been previously.

205. Bills of a longer date then were less current than they are now?—I should think so.

206. Then the present system must have had a tendency to increase the transactions upon long credit. Is not that the inference from your argument?—My impression is the contrary. I have understood that bills have been drawn at a shorter date, with the understanding that when they fell due they were to be renewed.

207. Would not houses of inferior credit be placed in a still worse situation, in comparison with houses of the first credit, if in consequence of not being able to procure money at five per cent. they were obliged to make, in a moment of pressure, a forced sale of their stock?—I should say so, certainly.

208. Would not those houses which were unable to get discounts, either on account of their inferior credit or of the bills being unfortunately of long date, find means to evade the law, supposing there had been no relaxation, and get money, either by paying commissions, or in some of the various ways in which money could be got?—I should think probably they would; but such cases would not have come under my knowledge.

209. But it is probable that such would have been the means resorted to by houses in want of immediate accommodation?—That is my impression.

210. Would not the limitation of the interest of money upon the discount of bills have a tendency to promote that which is strictly according to law, namely, raising money at a higher rate by annuities?—That I am not aware of.

211. Was that the practice in business to any extent at any time?—I am not aware.

212. The question had reference to the previous question, in which you were asked, in the event of a limitation of the interest, we will say to five per cent., and parties being thereby precluded from investing their money at six or seven per cent. upon the discount of bills, how they would employ their money under such circumstances; you are now asked whether, under that hypothesis, there would not be a tendency to employ money under the annuity act at annuity interest, so as to obtain the market value for that money?—That would require some consideration, and to know the precise nature of the operation to be dealt with.

213. Does not the power of discounting at a higher rate of interest than five per cent., which the relaxation of the usury laws conferred, attract into the discount market a much larger sum, which might otherwise be absorbed by foreign securities, and securities of that description, at a higher rate of interest than five per cent?—My impression is that it does, and that money perhaps would be

allowed to lie idle unless the investment was such as was satisfactory to the party making it.

214. You conceive that people, not being able to get five per cent., would rather have nothing at all?—For a limited time.

215. Do not you think that they would soon get tired of seeing that their money was unproductive?—I think they would; but those pressures are generally of limited duration.

216. But recollecting, as you do, the time before this alteration of the law, should you say that in London or the country generally there was any complaint of the want of capital for the purposes of discount and credit, and the general transaction of business?—I have not heard the complaint made in that shape either before or since.

217. Does your business make you acquainted with the foreign trade of the country?—Not with those countries with which I am not in relation as a merchant. I am in relation with different parts of Europe; but I do not trade with India or America.

218. Do you know what the rate of interest of money is, for instance, in Paris, at the present time, and what it has been for some years back?—No, I do not.

219. You are not aware that the Bank of France has pretty steadily discounted all the legitimate paper connected with commerce at four per cent.?—No, I am not.

220. Supposing it to be the case that the Bank of France has discounted all the legitimate paper connected with commerce at four per cent., do not you consider that that steadiness of interest and certainty of discount of all the legitimate paper of the country is a great advantage to all the branches of industry of the country, as compared with a country where persons undertaking any operations do not know whether they may have to pay from four up to ten per cent. for any money they may require?—I think that question is a difficult one to answer briefly, from this circumstance, that it involves the whole question of the currency. The bank in this country could not, I apprehend, make discount of that kind to an unlimited extent, without an increase of sovereigns and an increased issue of paper.

221. Without going into the question why the Bank of England should not be as capable of doing it as the Bank of France, the question is asked you, whether you do not think that steadiness in the rate of interest, upon which all the great branches of industry in the country are able to rely, a great advantage?—I think steadiness in the rate of interest would be a very great advantage.

222. But you are not personally acquainted with the fact that that does exist in Paris?—No, I am not.

223. You have been asked about houses in good credit, and houses in inferior credit; do not you consider that the larger mass of the general business of the country is conducted upon credit that would not be considered of the first description?—There is a moral credit as well as a pecuniary credit, and putting both together, I should say that the great bulk of the business of the country is transacted by houses perfectly trustworthy for what they do.

224. Will you state in what particulars you conceive the ancient usury laws to have operated injuriously?—I beg to say that I am not perhaps so well qualified to give an opinion upon that point, from what has come before my own knowledge; but I conceive that a man if he wants money is generally willing to pay the price for it in the market, and I think it probable that if the usury laws had not been relaxed many persons would have found a difficulty in getting money which they wanted, which difficulty was removed by that relaxation.

225. In short, you conceive the value of money to be regulated like anything else?—I do, decidedly.

226. You consider the relaxation of the laws to be decidedly favorable to bankers and those who have money to lend?—I should say in our own case the

quantity we discounted beyond five per cent. was comparatively small, except during the time when the bank rate was higher.

227. Does any objection suggest itself to you in the general alteration of the law upon which you have not been questioned in the course of your examination?—I see no objection at all.

228. You stated that you considered the relaxation of the law a few years ago as advantageous?—I conceive so.

229. Both with reference to bills of short date and bills of long date?—Certainly.

230. You make no distinction at all as to the benefit which you conceive has arisen from the change in the law?—I make no difference.

231. You stated that it was the practice of your house to lend money to be employed in discount at call; is that the general practice of the trade in London?—I believe it is the case with bankers.

232. Is it the practice of individuals not bankers?—I believe it to be the practice also of individuals not bankers engaged in trade. My mercantile firm does so.

233. Is it invariably the practice to make those advances upon what is called call?—No; it may be at call or payable at fourteen days, or any fixed date. It is a matter of arrangement.

234. And what is the interest that is received?—I receive at this moment four and a half per cent. for money at call.

235. Does it not go higher than that?—It has gone to five and a half per cent. when the bank rate was six per cent.

236. Bankers and other persons engaged in discounting do not obtain more interest than five per cent. upon call?—I do not think they do at present.

237. What security is given upon this loan made upon call besides the mere character of the house?—Bills are lodged.

238. To what amount?—To about the same amount.

239. And sometimes warrants for goods and dock warrants?—That may be done also, but it is not within my knowledge.

240. Their profit consists, when they borrow your money at four and a half or five per cent., in the difference between that and the interest they can get from some other person?—Yes.

241. Is not the facility which is given to the lender by having his money at call an advantage which always causes money so invested at call, particularly at short call, to be lent at a lower rate than permanent investments?—Certainly; when I am employing my money at call I could generally employ it upon bills at half per cent. more at a fixed date.

242. When you speak of call, do you mean call at sight?—Yes; on demand.

243. And sometimes two, three, or four or six days' notice?—Yes; that is matter of arrangement.

244. But when you speak of call, you mean call at sight?—Yes; on demand.

The witness is directed to withdraw.

Samuel Gurney, esq., is called in and examined, as follows:

245. You are a bill-broker to a considerable extent?—That is my line of business.

246. And have been for a considerable number of years past?—Yes; ever since the year 1807.

247. Consequently, you have been acquainted with that business before as well as since the period at which the relaxation took place in the usury laws as applied to promissory notes?—Yes; I have been in business both before and since the relaxation of the usury laws.

248. Will you state whether you are of opinion that a considerable inconvenience was experienced by the strict application of the usury laws in commerce

generally, previously to that relaxation taking place?—There were very great disadvantages from the restriction whenever the value of money rose above the legal rate. Certain periods I could specify when the difficulty was to a very great extent.

249. Will you state what those periods are?—The period at which the commercial and trading interests of this country were most injured by the restrictions of the usury laws was in the year 1815. During the whole of that year the effect of the limitation was a very decided restriction to the commercial and trading interests of the country. It was at that period that the value of money rose to the highest point beyond the legal rate, and consequently the effect was in an equal degree injurious to the commercial and trading interests of the country.

250. Was that the period of the resumption of cash payments?—No; it was before the resumption of cash payments. It was the year in which the financial exertions of the country were quite unprecedented.

251. Has, to your knowledge, any inconvenience been experienced by any class of persons subsequently to the relaxation taking place in the law, in consequence of that relaxation?—My experience, I might preface by saying, is very much confined to the higher class of merchants and traders, and I know of no inconvenience that has arisen from the relaxation among them.

252. Has it come to your knowledge that complaints have been made frequently by retail dealers of the necessity under which they were placed of giving a higher interest for money than that to which they were accustomed?—Cases of that kind have but very rarely come to my knowledge.

253. Does not the facility afforded by the relaxation in the law operate more exclusively in favor of long than of short bills?—It does give a greater increase of currency to long bills than it does to short. It does operate with more force upon paper of a long date.

254. Then its tendency, so far as it goes, independently of the other circumstances, has been or would be to increase the length of credit upon which the business of the country is carried on?—I do not know that it has had that tendency. It has given a facility to that description of business upon which long credit is usually given.

255. Have you yourself had occasion to observe lately any considerable alteration in the length of the bills which you are called upon to negotiate?—I do not think the proportion of the long-dated bills that we negotiate has materially increased.

256. Are you in the habit of carrying those bills to bankers to negotiate?—Yes, we are.

257. Do you find that it makes any difference with bankers in the readiness with which they negotiate your bills that now, at periods of pressure, they are able to charge more than five per cent. interest upon them?—It gives greater facility to the bankers as well as to ourselves, and to our transactions with them.

258. So that it is, in fact, upon the believed security of the bill, from your indorsing it, that the banker is induced to make the advance?—Yes, it is.

259. What would you consider a short bill, and what would you consider a long bill?—I consider bills under four months to be current or short bills, and beyond that period to be long ones.

260. Can you state to the committee the ordinary date at which bills are drawn in various classes of our trade, such as China, Brazil, and the East and West Indies?—The usual run of bills drawn in this country by the trader or by the banker, to represent transactions in the trade, are almost all of them within three months.

261. You are speaking of inland bills?—Yes, I do; but different trades give different credits. For instance, in the silk trade the bills drawn are at four

months; bills based on transactions to the east of the Cape of Good Hope are drawn at from six to twelve months.

262. And you negotiate those bills indifferently, provided you think the security is good?—Yes; it makes no difference with us, provided our security is sound.

263. What is the date for which the bills in the Brazil and West India trade are generally drawn?—Speaking generally, the bills drawn on Brazilian houses are at six months.

264. Drawn at that date, you would consider it a regular bill?—We should.

265. Of what date are the manufacturing bills of Manchester, Birmingham, Sheffield, and Leeds?—If on houses engaged in inland trade, the bills drawn are generally at three and four months.

266. So that the manufacturing business is generally carried on upon bills of three, four, and six months?—Generally that is the case; but, as I said before, bills based on transactions to the Brazils or to the eastward of the Cape of Good Hope are drawn at from six to twelve months.

267. Has that increased of late, or has it been always at that rate of credit?—The extent has increased very materially since the opening of the trade, both in China and the East Indies, but the length of credit was always the same.

268. The question refers to the length of bills for the home trade with the manufacturing districts upon houses in London; are those bills of the date now that they used to be?—I think there is no perceptible extension.

269. Can you state the date of the bills which are drawn in the usual course from the United States?—The usual course of bills between the United States and England is from sixty to ninety days, the greater majority being sixty days bills.

270. Is there any distinction between the bills which are drawn from the eastern States, and those which are drawn as representing cotton transactions?—Not a greater difference than that which I have alluded to.

271. What is the date of the bills in the Russian trade?—The bills drawn from Russia are at ninety days.

272. Having stated that a bill drawn from China, for instance, as compared with a bill drawn from the United States of America, was, in your judgment, equally regular, though drawn for very different dates, so long as the state of the law relieved the shorter bill from the usury laws, and subjected the longer bill to the limitation of interest, was there not an inequality that was felt as a pressure upon the trade represented by the longer bills?—The inequality was felt as a very serious pressure and obstruction to business in every line of commerce or trade where the accustomed credit was beyond three months.

273. Are you aware whether there were doubts with respect to the law of the case in discounting, for instance, a bill for six months, or for twelve months, of which only three months were still to run?—We always interpreted the law, that the relaxation applied to all bills upon which not more than three months remained to run.

274. How do you act upon the law at present; do you consider it to apply to transactions of every description?—We do.

275. You make no exception?—We understand that the relaxation of the law is limited to bills that have not more than twelve months to run.

276. How do you interpret the words "any contract for the loan or forbearance of money?"—That it gives us liberty to charge whatever rate of interest may be agreed upon on accounts generally.

277. Whether the contract for the loan of the money be for twelve months, or for two or three years, is the same thing, is it not; you do not suppose that the limitation for twelve months applies to the contract for the loan of money?—I apprehend it does not; but questions have been raised upon it, so that I do

not apprehend that any contract for the loan of money has been made for a period beyond twelve months, except at five per cent.

278. That appears from the general construction of that section of the act?—Yes.

279. You have referred to the state of things in the year 1815; supposing a period in which the usury laws were in force, and that a great government expenditure rendered a drain or a great issue of exchequer bills necessary, would the usury laws in any degree apply to the negotiation of such a loan on the part of the government; would not the borrowing of the government, by the law, be perfectly free from any operation of the usury laws?—The transactions of government were never affected by the usury laws; they were quite clear of their operation.

280. In that case, how would that transaction affect commercial transactions that were subject to the usury laws; the government borrowing at a rate not subject to the usury laws, how would commercial transactions stand, being restricted by the operation of the laws?—Such transactions of the government, the usury laws having no practical operation upon them, would very seriously affect the commercial money market if that restriction were again imposed.

281. Will not the same effect be produced where the transaction, which has been hitherto described as a loan on the part of the British government, is brought about by any large stock operations on the part of foreign countries with our money market?—Any operation of a similar character on account of a foreign government would affect the commercial money market in a much greater degree, not only as such transactions operate as a competition in the rate of interest, but also directly affect the demand for bullion in the bank.

282. You have stated that, under the old law, transactions on the part of the government in the money market here at the time when the value of money is beyond five per cent. would act prejudicially to the commercial interest subject to the usury laws; would not the same prejudicial effect be produced to the commercial interest if that was a government loan or if it was a transaction in foreign stocks, either by foreign drain or by the sale of foreign securities in the market?—This question, as well as the former, being put under the presumption that the usury laws are restored, it would in a greater degree impede the transactions of commerce, the transaction in stock being a foreign character.

283. You stated that the government being unrestricted as to the usury laws, and commerce acting under the restriction of those laws, would operate unfavorable to the commerce of the country; are you not aware that that was the case during the whole of the last war, that the government was selling the five per cent. stock as low as eighty, and yet that during that war no difficulty was ever found in discounting the legitimate bills of the country?—There were at times very serious difficulties during the war in procuring the discount of bills, the interest being then restricted to a legal rate.

284. Are you not aware that during the war the discounts of the Bank of England were from 16,000,000 up to 19,000,000, and that those discounts were always ready for any legitimate bills of commerce?—I am quite aware that was the case, but it arose from the commercial money market being restricted, as I have already explained; but the Bank of England could not have taken the bills had they not been under the restriction act.

285. Be so good as to state to the committee the peculiar circumstances which occurred in 1815, which have made so strong an impression upon your mind?—The circumstances were, that owing to the unprecedented extent of the government loans, without the operation of the usury laws upon them, the money found its true value on the stock exchange, which being much beyond the legal limit, money was attracted to that market from the commercial market, where the limitation existed; in consequence very serious difficulty was experienced by the commercial community during the whole of that year.

286. Was not the difficulty of this description, that, the war having ceased, an expectation of a great rise in the stocks in consequence drew a large portion of the capital into the stock exchange, and therefore left the ordinary accommodation of the business of the country without its proper supply; but if the same circumstances took place to-morrow, if the country were in a position to make it probable that stocks were going to rise ten or twenty or thirty per cent., would not that have the same effect; would it not absorb the capital used for ordinary discount in stock-jobbing?—The difficulty existing in the money market at the period I have mentioned arose only from the cause specified. I never knew of so strong a probability of a rise in the funds as to affect the commercial money market to any important extent. I wish to state something in explanation of a previous question on the subject of the advantage or disadvantage of the relaxation in the law to the trading community. The advantages are, that under every circumstance they are able to procure supplies of money, and to carry on their business with facility and in an extraordinary degree. In the two or three last pressures which we have had we have had very few failures. I will now take the other side. What is the disadvantage? It is that they have to pay this high rate of interest for a limited time; the calculation of that disadvantage brings it to a very small sum. A firm of large extent may have under discount to the extent of £50,000, and have six per cent. interest to pay for that £50,000, instead of five per cent. for six months; this is the extent of loss, which comes to £250 only. For that loss he gets the advantage of general facility, a less risk, as credit is much better preserved, advantages greatly beyond the loss. One other great advantage is the ability to borrow money upon their merchandise. In times of pressure a merchant must either borrow money upon the security of his goods or sell them. If he borrow money upon his goods, it resolves itself into a calculation of a similar character; if he thus borrow £100,000, there will be a loss of £300 to £400; but if he is compelled to sell his goods, he cannot, under such circumstances, at less loss than from ten to twenty per cent.; and therefore, on the one hand, he may have to lose some £300 or £400; but, on the other, if compelled to sell his merchandise, which he must do were he unable to pay more than the legal rate of interest upon a loan, the loss would be under forced sales from £10,000 to £20,000.

287. But in the event of his incurring the danger of losing 15 or 20 per cent. in selling his goods, would he not have found some means, if the usury laws had not been relaxed, of obtaining money, paying a larger rate of interest? In business of this character it would be imprudent for any lender of money to rely upon any evasion of the usury laws.

288. What is the highest and lowest amount of interest you are in the habit of asking generally?—The value of money at this time is from four to five per cent.; since the relaxation of the usury laws it has ranged as high as seven per cent.; perhaps a shade higher.

289. You are speaking of transactions within your own cognizance, namely, transactions with houses of the first class?—I am speaking of transactions with houses of the first class.

290. You being concerned simply in money lending to houses of the first class, what description of persons deal with what may be called the second-class paper?—The chief amount of paper from second-class houses is negotiated between them and the bankers direct.

271. Is there no description of money buyer or money broker for that class of persons?—There are a few, but not of large means.

292. You stated the range of discounts to be from three to three and a half per cent.; in your case can you, from report, or from any information you have, state what has been the range in the second or inferior class of paper?—The bulk of such paper being discounted by the bankers direct for their customers, there is a feeling of indulgence in it, so that the banker would rarely charge

them more than six per cent. in the most aggravated state of the money market; the relaxtion of the usury laws has been very important to that class of traders, perhaps more so than to the higher, for this reason, that when the value of money rose beyond the legal value, the holders of money would only select paper of the first class, those of the second class being in consequence useless for negotiation; I am inclined to think that the relaxation has been of more advantage to that class of traders than to the higher.

293. How do you suppose that class got accommodation before the relaxation?—They were under great difficulty; it was rather by a system of indulgence between them and the bankers.

294. Has the borrower any commission to pay besides interest?—It is very rarely that any commission is charged; the basis of transactions is the difference in the price in buying and selling money.

295. The rate of interest involves the commission?—It is exclusive of all commission.

296. The commission is very rarely charged?—Very rarely.

297. You have stated, as an alternative, the positive necessity which is imposed upon a person requiring accommodation to sell goods if he cannot obtain accommodation in another manner: and you have stated that as probably leading to a much greater sacrifice of capital was the proportion of 10 or 20 per cent. as compared with two or three per cent. in the mode in which he would obtain accommodation under the relaxation of the usury laws; in the event of a forced sale of goods, did not it act prejudicially, not only to the person himself, but also to the prejudice of other persons who were holders of the same goods?—Of course it did.

298. Therefore the difference of the two systems is not only to be measured by the amount of loss the person himself sustained, but by the greater extent of loss which was sustained by the whole commercial community with which he was connected?—No doubt the protection does apply in that extended manner.

299. You have stated, that you thought the relaxation of the usury laws was felt as a benefit more to the small trader than to the larger trader; can you state whether the number of failures of that description of persons was greater in the pressure of 1825 than it was in the pressures that have lately occurred?—There is no doubt that the failures that took place under the pressures before the relaxation of the usury laws were much more numerous than they have been latterly since the relaxation; whether I am prepared to attach that favorable difference solely to the relaxation, I do not know, but I am sure that it has tended to the prevention of failures during periods of pressure.

300. You say there have been fewer failures in times of crisis and difficulty; when was your last bad crisis or difficulty?—The severest crisis we have had recently was in the autumn of 1839; we had rather a severe pressure in the autumn of last year for a few weeks.

301. Was it not in 1839 that so many of the American houses failed?—No, it was in 1836 and 1837.

302. In that case did not the larger portion of the persons concerned fail?—Favorable as I consider the relaxation of the usury laws, it does not altogether prevent failures; the failures that took place in the American houses in 1837 were owing to imprudent dealing; no relaxation in the usury laws could have prevented them.

303. Do you think the pressure would have been greater or less, or the same, if the usury laws had not been relaxed?—If they had not been relaxed, the pressure would have been greater, and infinitely more injurious.

304. Has not the power which a house of inferior credit has of borrowing at higher rate of interest in proportion to its difficulties and embarrassments this

effect, to sweep away all their property when they do fail, and make their bankruptcies more serious?—It is not unlikely that it may have that effect.

305. You do not deal with that description of persons?—No; but I know what takes place among them.

306. A man who would stop and pay 15s. in the pound may, by advancing the rate of interest, go on till he cannot pay 75s. in the pound; and is it not more desirable, and more consistent with honesty, that a man who is in that description of embarrassment should call his creditors together, than that he should waste almost his whole substance, and then call them together?—Undoubtedly it is much more consistent with both wisdom and honesty that he should call his creditors together during the early stages of his involvement.

307. You have stated that the present system does increase the facility of a man in difficulties going on to the last extremity?—It does.

308. May it not, on the other hand, by his obtaining money at a higher rate of interest, enable him to overcome those difficulties, and save him from becoming a bankrupt?—There is no doubt that the cases are numerous in which parties, by being able to raise accommodation in time of pressure, are saved from ruin.

309. Would not such accommodation frequently save houses of the first credit?—Certainly accommodation under difficult circumstances does save very good houses; there can be no doubt whatever of it.

310. Would a person be able to negotiate a bill at ten per cent. without going to a lower dealer in money for it?—With a prudent money-dealer it would operate as a bar to his entering into the negotiation: a considerable higher rate of interest than the value of money being offered creates suspicion.

311. But if a party brought you a bill, would he be able to obtain money of you at all?—Any party bringing a good bill we should always take it at its market value, the security being good and the relaxation of the usury laws continued.

312. Have you at all considered the effect of the relaxation of the usury laws on loans made by government in time of war and in time of peace?—In accordance with what I have already stated, the restriction had the effect of throwing a much larger porportion of money upon government transactions than upon the commercial world, where the true value of money rose beyond the legal rate.

313. It enabled the government to raise the sum that was required for the public service of that year?—It may have had that tendency.

314. You have already stated that the same effect would be produced by transactions in foreign securities as in the securities of this country?—The same effect, but with considerable aggravation, as in that case the money would be sent out of the country.

315. You employ the money of many country banks?—Yes.

316. Money that comes to you for employment in that way must be employed in some description of commercial circulation in the country?—It must be employed in the money market.

317. If you can get six per cent. or seven per cent. for it, you get your six or seven per cent.; but if you cannot get your six or seven per cent. you are obliged to content yourself with five?—Yes; sometimes with three per cent.

318. The rate at which you employ it affects very little the amount you have to employ?—It affects the amount but little, provided we give the market value of money and there is no other market where a higher rate can be procured.

319. Where is that market?—At the Stock Exchange; the value of money is at times higher than in the commercial market.

320. But that market is open to you as well as to other people?—Yes; but not upon bills of exchange; not upon commercial transactions.

321. What is commonly called the market of the Stock Exchange is bills in continuation, is it not?—Those transactions there assume a variety of forms.

322. Do you not receive from those banks which send their money to you for employment a certain sum to be employed, which must be employed either in government securities or commercial securities?—That is the case.

323. If the law did not permit you to take beyond five per cent., that must go either to government securities, or it must go into the five per cents. in commercial securities?—Yes; we must submit to five per cent. upon commercial securities.

324. The circumstance of the law allowing more than five per cent. does not augment their means of employment?—It does augment the amount of money to be employed.

325. That market is the market of the Stock Exchange?—Yes.

326. Mainly exchequer bills?—Not exchequer bills only, but also consols, and other objects of investment also.

327. The borrowers of money would have your money at five per cent. if you were not permitted by law to charge a higher rate of interest?—No; borrowers would not get their money without great difficulty.

328. The parties with whom you can place your money are two, considering the public as a borrower, private individuals as a borrower; between those two borrowers, whether the government, in its stock of different descriptions, or private individuals, your money must go?—Our money is almost invariably occupied in commercial objects.

329. Therefore it would not be true to say that the power of advancing the rate of interest beyond five per cent. augments the amount of money to be borrowed?—It augments the amount of money that is employed in the commercial money market.

330. When you say the rate of interest at the Stock Exchange was only three and a half per cent., you mean that the price of consols gave that interest of money?—No; I mean to say that, if a gentleman held consols, and could give consols as security, he could obtain money at two or three per cent.

331. If you, and other persons having money to lend, having your capital variously divided between commercial discounts and government securities, in case of pressure are able to make six and seven per cent. of your money in the discount market, does not that immediately throw exchequer bills upon the chancellor of the exchequer, and throw him into difficulties? If the London bankers, who are large holders of exchequer bills, then go and take their money upon what is called calls at four and a half and five per cent., is it not an inducement to throw off exchequer bills, which are at three per cent., and thus embarrass the treasury?—Only to a limited extent; exchequer bills are not very much held by the banking interest in the city.

332. How do you conceive that the West-end banker employs his money?—They do employ their money to a greater extent in exchequer bills.

333. Do you never take their money?—We take it to some extent; they are beginning to discover that investments on commercial bills give a higher rate of interest, and under a good agency is even safer than transactions in the Stock Exchange on government securities.

334. When they can lend their money at a higher interest, must it not be an inducement to them to get rid of their exchequer bills at a lower rate?—It is an inducement, but only to some extent.

335. The relaxation of the usury laws, by affording a new employment for money in this country, the government not raising any loan at the same time, must have the effect, has it not, of diminishing the amount of money that has gone abroad for investment in foreign securities and speculations?—It has that effect, very decidedly.

336. But it has drawn more capital into the discount market than used to be there?—It has, especially at periods when it is most wanted.

337. From investment in foreign securities?—I think it has.

338. Do you attribute the circumstance of such vast sums having been sent abroad for investment in those securities, previously to the relaxation of the usury laws, to the pressure of the laws in this country, in not allowing men to get the proper interest of their money?—I cannot say that I should trace it to that cause, but to several causes; among others, the low rate of interest which existed for a long term of years.

339. But those low rates of interest were the true measure of the value of money?—Yes, they were, no doubt.

340. Will not the inducement to investments abroad be in proportion to the low rate of interest, whether that is produced by a natural cause, or by an artificial cause, such as the existence of some law?—Undoubtedly.

341. Must not the low rate of interest at the same time improve the condition of the manufacturers of the country?—It is an assistance to them.

342. But whether the rate of interest of a country is at four per cent. or at six per cent. must materially affect the profit at which manufactures could be carried on in the country, must it not?—The value and scarcity of capital undoubtedly affect materially the profit on trade.

343. The value of money being two, three, and four per cent., what is the circumstance, do you consider, that produces the crisis which raises the interest of money; is it some operation of the Bank of England, or what circumstance is it that produces that effect?—That which operates upon our market immediately is the quantity of circulating medium that we have in it, and the amount of transaction it has to perform.

344. And that operation is mainly produced by the changes in the circulation of the Bank of England?—The variations in the value of money do arise immediately from the variations in the circulation of the Bank of England.

345. But the Bank of England occasionally is obliged to expand or contract its circulation, according to its apprehension with respect to its power of payment in specie?—Doubtless it does.

346. Had not the bank and yourselves, and persons who are large lenders of money, an interest in promoting those events which shall advance the interest of money; supposing the bank to act simply with a view to what may be called its own interest, has it not a direct interest in promoting those panics or crises which shall enable it to advance its interest of money from three up to seven per cent.?—Certainly not; it is the interest of all money-dealers to have things preserved in quietude.

347. Though you hate panic and confusion, you have no objection to that slight degree of disturbance which may enable you to get seven per cent. instead of three?—I think the object of all great money-dealers, putting the bank at the top, and others beneath them, is to do everything they can to keep things in order and quiet.

348. Consistently with getting the highest rate of interest for their money that they can?—The contrary is the fact; a low rate of interest is best for our firm.

349. Is it not frequently the case that bankers obtain a larger profit upon smaller rates of interest than when interest advances to a higher rate?—The bankers get more profit upon a high rate of interest; in my line of business it is the reverse.

350. Does not the same reasoning apply to those banks which give interest upon deposits, and obtain interest upon loans?—Not to the same degree that it does in my business. The rates of interest country bankers allow are much more fixed in their character than with ourselves; they do not fluctuate with the market with the same rapidity.

351. You stated that considerable accommodation was given to persons on goods, in consequence of the relaxation of the usury laws; has not that led to a

great deal of fraudulent trading?—In no instance that has come to my knowledge.

352. What is the usual value required to be deposited in goods?—It depends a good deal upon the nature of the goods and the state of the markets; but with a house of first-rate character we should lend them money upon their goods to within twenty per cent. of their marketable value in most cases.

353. Upon long or short periods?—We generally make our loans for three or four months, as the merchant may require.

354. Would not that enable a speculator to carry on his trade entirely without capital?—It doubtless has the effect of giving facility to all persons who hold goods, whether speculators or *bona fide* merchants.

355. If he can purchase his goods in the Manchester market, or any other market, at three months' credit, and can afterwards raise money to within twenty per cent. of the value of those goods, does not that enable him to carry on trade upon other parties' capital?—Such transactions, if they exist at all, are of very rare occurrence.

356. Do you know within how much per cent. of the supposed market value of goods the East India Company advance money?—I presume the question refers to the transaction of the company taking bills of exchange on the bill of lading in India. I think they would generally advance eighty per cent. upon the invoice price in Calcutta.

357. At the present moment is the circulation of paper in its average state, or is there more or less than usual?—At this time the extent is nearly at the usual average, and is sound in its character; that is our experience at this particular juncture.

358. Have you much to do with the circulation of bills connected with the manufacturing districts?—We discount for the manufacturing districts very largely.

359. Is that description of paper in the ordinary state, or is it more or less in extent than usual?—I should give the same answer that I did before, that it is much upon the usual average, and sound in its character.

360. Of what description is that paper; is it the draft of the manufacturer in Manchester upon the house in London?—The general character is, that it is drawn by the manufacturer upon the buyer of goods, whether in Liverpool, London, or other commercial towns, and indorsed by the banker of the place.

361. Is that the description of paper you consider among the best?—We consider it the very best, because we get the security of the manufacturer and the buyer of the goods, also the country banker.

362. The rate of interest which may be said to be paid for money in manufacturing districts depends upon the rate at which those bills are discounted?—Yes; the rate of interest at Manchester and Liverpool follows our market by the next post.

363. So that when those bills are done at three per cent. or at seven per cent. there is that variation in the rate of interest which the manufacturer is paying for money for the purposes of his business?—Such is the case.

364. You are not acquainted with the operation of the present law as it respects the poorer description of people?—Not to a great extent; but to the lower class of traders I think it gives additional facility especially—in times of pressure, that is.

365. Can you state to what extent the charge for interest has in any cases gone, including commission and all charges?—The rate of interest did at one time run up to about seven per cent., exclusive of commission. There may have been some transactions in which exorbitant rates of interest have been charged; but, so far as has come within my knowledge, they have been of a limited character, both as to number and amount of money.

366. Do you know anything of the value of money in foreign countries?—

Not a great deal; the value of money in Holland, Germany, and France is mostly rather lower than in London.

367. Do you know anything of the rate of interest which the Bank of France takes?—I believe it is at this time four per cent.

368. Has it remained steadily at four per cent.?—More steadily than the rate of interest charged by the Bank of England.

369. Do not you consider the steadiness of interest is of importance to the commercial interests of the country?—I think it is rather better that it should be so, but I do not think it a matter of material moment.

370. Do you know what proportion of the discounts in Paris are performed by the Bank of France, and what rate of discount is charged by others than the Bank of France?—I am not acquainted with the subject.

The witness is directed to withdraw.

Ordered, That this committee be adjourned to Tuesday, the 8th of June next, three o'clock.

DIE MARTIS, 8° *Junii*, 1841.

The lord president in the chair.

Joseph Maynard, esquire, is called in, and examined, as follows:

371. You are a solicitor in business in the city of London?—I am.

372. Have you been long in practice?—I have been in practice for myself about eighteen years; I was ten years before that in the profession.

373. Does your situation make you conversant with the general position of the trading classes in the city?—I should say it did. I have a large commercial connexion.

374. Are you frequently called upon to act in cases of insolvency?—Very frequently.

375. Will you state to the committee what, in your opinion, has been the operation upon the general condition of persons engaged in commerce in the city of London of the alteration made in the laws regulating the interest of money; what are called the usury laws?—I think the operation has been different upon different classes of men engaged in trade in the city. Among what I should call the higher class of mercantile men, who have access to the best resources for raising money, and who have always unquestionable security to offer for it, my opinion would be that the working of it had been beneficial, as enabling them to avoid the sacrifice of property at times when it is depreciated in the market; they, by being enabled to give a rate of interest worth the while of persons having money to receive, which the ordinary rate, I think, was not, have been enabled to obtain resources when they very much needed them in times of commercial distress and difficulty, and have been spared a very much larger sacrifice by not being compelled to bring their property into the market, as they would have been in former times when they had no alternative but to sell their property for what it would fetch.

376. In speaking of that class of persons you speak both of those that have money to lend and those that want to borrow money?—As to the parties that have money to lend, I think there can be no question as to its having been beneficial to them, and I think there is no question as to its having been beneficial to the other class of persons to whom I alluded.

377. How do you consider that it has operated upon a second class of persons—persons not absolutely in needy circumstances, but below what you would call the higher class of merchants?—With regard to that class of persons, there have been a great many instances in which I have found that, there being no limit to the rate of interest, and they not having that station or credit to which I have alluded in my former answer, they have been obliged to pay a much higher rate of interest than what I should call the value of money at the time

at all called upon them to pay; and then I should say it has had this prejudicial effect in many cases in that class, that every man wishing to keep himself up as long as he can, I have found that when at last they were compelled to suspend their payments and declare themselves in a state of insolvency, their assets have been all but exhausted.

378. The operation of the present state of the law upon that class has been that they have gone on longer by borrowing at a high rate of interest than under the former state of the law they would have done, and consequently when they have come to insolvency their funds have been pretty much exhausted?—I think so; I think under the former state of the law there was a class of persons who could not, without decidedly endangering their credit, and by that means being compelled to come to a suspension, have forced their goods into the market in the way in which they would have been compelled to do to obtain funds; whereas, through the medium of parties who intervene between the capitalist and the borrower, the money-brokers, they may get their money upon security, or upon the best bills they are enabled to give, without its being known among their connexions. If they were compelled to force into the market the goods which in the ordinary course ought not to be sold in that way, that could only be done, generally speaking, among persons dealing in those goods, and the chances are that it would become known, and then they would be compelled to bring their affairs to a close; whereas at present they are enabled to go on much longer, and I think detrimentally to their general creditors.

379. Do not you consider that the greater mass of business that is carried on in the city is carried on by that class which you would describe as something below that of the first credit?—My own feeling would be that in figures it would not be so; numerically speaking, with regard to the number of persons engaged in it, the larger number of persons I should think would be among what I should call the inferior class of dealers, but the greater amount of financial operations I should think would be the other way.

380. Does your experience enable you to state at what rate of interest persons of the class that you have been speaking of have borrowed their money?—It does in a great many instances; and perhaps I should state that a mode has obtained, which I think is to be attributed to the repeal of the usury law, of charging, *ad libitum*, almost a commission upon the raising of money, which is not called interest, but it is called commission; but still to the party borrowing it is in effect paying so much more interest for the money he gets; and I think if I were to fix the rate of interest, a great portion would be attributable to that charge of commission, because the charge of commission would be made at so much per cent. upon the sum borrowed, not per annum: the charge of interest would be at so much per cent. per annum; and, therefore, if a man paid one per cent. commission upon the discount of a bill at two months, it would in effect be six per cent. per annum in addition to the rate of interest, whatever it might be, which the party might charge him; and I think that that system of commission prevails, not merely among the inferior class, but to a great extent among persons of a higher character.

381. Do you mean to say that no such commission could be charged, or was in point of fact charged, previously to the repeal of the usury law?—My impression is that no such commission was charged previously to the repeal of the usury law; but I speak with some hesitation upon that point, because in my own experience I have nothing to do with discounts or paying commissions: but speaking as a professional man, our feeling always was that the charge of commission was liable under the old law to be considered as a contrivance for taking more than legal interest, and unless the party who charged the commission could clearly show that it was a payment made to him for a service performed, and that he himself had no interest whatever in the money he lent, (which I believe

is very seldom the case,) then I take it to be quite clear that under the old law the commission would have been considered as merely a contrivance to get a higher interest for money.

382. Was it not a contrivance continually had recourse to through the medium of third parties?—I do not think that any such rate of commission was charged previously to the repeal of the usury law as is charged now; but I am not prepared to say that no commission was charged.

383. If commission was charged previously to the late act, it was always liable to be questioned as matter of usury?—Undoubtedly.

384. Therefore that was probably the reason why it was not charged in that way?—That was the reason why it could not be, and why I conceive it was not; there was a case with which the profession are well acquainted, of Kensingtons, the bankers, with regard to a charge of commission; the question arose upon this nicety, that upon very large transactions, to the amount of between one and two hundred thousand pounds, they charged one per cent. commission as bankers. The statement was that the ordinary charge was half per cent., and the whole amount was put in jeopardy by the question whether that additional half per cent. was a *bona fide* charge for a service performed, or whether it was not merely a mode of getting something more than five per cent. for the interest of the money; and although the jury would not find that it was a contrivance of that description, the law was clearly laid down. I recollect Lord Ellenborough gave it as his opinion that if it was so it would have been usury.

385. Therefore the charge of commission being considered usury, as well as an excess of interest, the real effect of those transactions was to charge a higher rate of interest than the law allowed?—They could only charge five per cent.; but the charge of commission would not be usury, unless, by adding it to the interest charged, it made it more than five per cent., which, in those days it always would do, because five per cent. was the interest usually paid.

386. But, in point of fact, the money borrowed or raised upon discount, by persons of the condition you have been speaking of, was not borrowed at anything like the same rate of interest before the alteration of the law that it has been since?—Certainly not; of course it could not be, because, although there were always a great variety of contrivances to avoid the operation of the usury laws, I do not consider that that system of contrivance extended to the sort of mercantile operations I have been speaking of; they were limited pretty much to what are technically called money-lenders; a lower class of people altogether.

387. Can you state, taking into account the charge made for commission and the charge made for interest, what have been the rates at which money has been borrowed since the passing of the present law?—There are two classes by which money would be borrowed: if you discount with your banker, of course you pay no commission; then you pay merely the naked interest. I have no idea that any banker ever charged more than six per cent.; but if the money is raised through the medium of a bill-broker, (a class of persons who have large funds to dispose of,) the rate of interest will then vary. I have known a first-rate bill-broker to make six and seven per cent. per annum as interest, besides the charge for commission; what that would add to the rate of interest would depend upon the period for which the loan or the discount was made; with an inferior class of persons I have known the rate of interest to vary from ten to twelve or fifteen per cent. still, besides the commission.

388. What would be the general rate of commission in the one case and in the other?—The commission, I believe, varies from a half to one per cent; I do not think they charge more than one per cent. commission.

389. Upon bills having what time to run?—There are very few bills discounted that have more than three months to run.

390. So that, supposing the bills to have, upon the average, three months to run, one per cent. commission would be equivalent to four per cent. additional.

and half per cent. would be equivalent to two per cent. additional, which would be to be added to the rate of interest?—Precisely.

391. You have spoken of these transactions with bill-brokers; are those bill-brokers of credit and respectability, or are they people transacting their business clandestinely?—Not persons conducting their business clandestinely.

392. Those transactions are open transactions?—They are open transactions.

393. So that persons in moderate credit, persons that you describe as being not of the first class, but still respectable in business, have borrowed money at the rate you have spoken of, and the poorer description of dealers have paid a still more extravagant rate of interest?—Exactly so.

394. Do you know whether these excessive rates of interest have not sometimes come upon them suddenly, in consequence either of an alteration of the system of the Bank of England, or other circumstances, suddenly operating to cause a change in the value of money in the city?—The value of money in the city is continually varying, from all sorts of circumstances; but I do not think the rate of interest has been below five per cent. now for a considerable time past.

395. And when a variation takes place with the Bank of England and the great bankers of the city, from five to six per cent., the variation for persons of a less opulent description is infinitely greater?—It is greater, certainly.

396. Can you say at all to what extent it is greater?—It is very difficult, when you get out of the decidedly first-rate money market, to know the rates that are charged among the inferior class, because it depends not so much upon the value of money as upon the credit of the party that they deal with.

397. And upon the goodness of the security?—And upon the goodness of the security; and that is what I mean, that the operation of the repeal of the usury laws in the case of persons of not the best credit is to leave them to pay for their want of credit, and not for the increased value of money as such; that is the result I have arrived at, so far as my observation has enabled me to judge.

398. Do you believe, supposing no alteration had taken place in the law at all, and that five per cent. had remained the maximum legal interest, that that class of persons would have been able to get any money at all?—I should think not; and I do not think it would have been confined to them; my opinion is, that it was absolutely necessary to increase the rate of interest beyond five per cent.

399. Otherwise they would have obtained no money at all?—They would have obtained no money at all, or they would have obtained it by the sacrifice of property to a much greater extent.

400. Or by an evasion of the law?—Or by an evasion of the law; but I do not think that evasion of the law among the commercial classes is a thing that can frequently arise.

401. Were not the evasions of the law principally confined to young men expecting to succeed to fortunes, or persons out of business, and very seldom practiced by persons in business to any great extent?—Speaking of the city, I should say it was not practiced by persons in trade in the city; I think that at the west end of the town it did extend, not merely to the class of young men alluded to, but among many of the traders.

402. You think persons in the city would sooner sell their goods at a ruinous loss than evade the law?—No; I think they would sooner have stopped payment.

403. Rather than obtain money by the payment of a commission, which would have been, in fact, increasing the rate of interest?—They would have been unable to obtain money in that way, assuming it not to be legal to let them have money by paying a commission; if a commission would make it usurious, I do not think they would get money in the city; I do not think the class of persons that have money to lend in the city would lend it in transactions where they felt they were

liable to lose the whole of their money; I consider the system of usury to be rather a trade of itself, which is not carried on among the mercantile classes in the city.

404. Not among the bill-brokers?—Not among the bill-brokers, nor among the commercial classes generally; I have no idea that any of the respectable bill-brokers in the city would ever enter into a transaction which they believed would subject them either to the loss of their money or to the penalties of usury.

405. You have stated that persons now borrow money at a high interest who would under the old state of the law have called their creditors together and stopped payment; should you say that the continuing their affairs when they are in fact insolvent, by borrowing at a high rate of interest, was a desirable course for the trade of the country, or that it promoted honesty and integrity in commercial dealings?—I should think it quite obvious that if a man be clearly insolvent, any mode must be vicious that enables him to continue his business, because he lets out one to let in another. But the way in which the operation of the repeal of the usury laws has been beneficial is, that there are constantly occurring cases, by no means of insolvency, or anything bordering upon it, where money is required, and where it cannot be got except by giving more than the rate of interest which formerly used to be allowed. The difficulty is between the two classes.

406. Could not a man, under those circumstances, be enabled to show to the lender that he had the property upon which the security was to be given, and obtain money at five per cent.?—In times of pressure the money was more valuable; it was considered intrinsically worth more than five per cent.

407. How could the party obtain more than five per cent. for it?—I am hardly competent to answer that question, but I believe there is no doubt that in the money market money is at one time worth more and at another time less: as to the precise mode by which the difference of value is created, I do not feel competent to give an opinion.

408. Would not the lender, under those circumstances, have taken into consideration any degree of uncertainty which there might be as to the value of property which was not immediately available, and in proportion to that uncertainty increase the amount of interest he charged?—I should presume that he would: he would clearly not lend his money upon any security for less than what his money was considered to be worth, and therefore that would prevent the money being raised at a lower rate of interest than the money was worth: he would get, if he could, a larger rate, if he considered that he was running a risk. But I separate the question of risk as increasing the rate of interest from the question of the rate of interest being increased by the money itself being in the money market worth more than the amount of interest which used to be payable.

409. Would not both of those considerations combine under any circumstances, namely, the pressure in the money market and the pressure on the individual?—No doubt every man who lent his money, if he knew that he could only obtain repayment out of a given fund, would look at the probability of realizing that fund when the money was wanted; but I do not think, myself, that the difficulty that I am looking at applies so much to the question of security, because, of course, there are people in the city of London whose security is undoubted, and yet who cannot borrow money at five per cent. if money is worth seven.

410. Where could a man procure seven per cent. for it?—I do not profess to know enough of mercantile operations to know how they govern and determine the value of money in point of interest.

411. The question refers to the state of things before the repeal of the usury laws.—If a man had money to employ, he would take five per cent. for it if he could not get more; and, therefore, if I find that people who have got money to lend, and who have no question about the security offered for it, still will not

lend it at five per cent., and do not think that enough, but will lend it at eight. I must assume that they have means of employing their money; for example, by laying it out in property that may be depreciated in value if sold immediately, but by holding it on till the pressure in the money market is removed, that produce would realize its fair market value, and in that way they would get the difference; and there may be a variety of other ways which I do not feel myself competent to go into; but still it was perfectly well understood, I believe, that money could be raised at one price, and not at another, and that the difficulty was not upon the question of security.

412. Is not there always a large mass of money that is employed solely in being lent?—Yes.

413. And therefore if the law did not allow a higher rate than five per cent., all that money would come into the market at five per cent.?—I should doubt that; the question of the premium on exchequer bills must have some operation upon it. It is true that upon exchequer bills the party gets a less rate of interest, but he gets undoubted security, and a commodity which is always available; but I conceive there can be no doubt that practically money will command in value a higher return in the shape of interest at some given periods than at others. As to the question, if the interest is not raised, how that is to be done, or how they are to get a return for their money by employing it in any other way, I do not feel competent to give an opinion upon that, but that there must be a way of doing it I feel confident.

414. Would not any lender of money, under those circumstances, being debarred from employing his money in one particular mode, at as great a profit as other modes afforded him, be driven out of that mode, and take to others?—I conceive so, certainly; among others, the foreign funds will always have an operation upon the rate of interest.

415. Supposing a person in trade to be perfectly solvent, and to have his money lying in goods of some description or another, and that he wants money for a particular purpose, and that he cannot get money at five per cent., and he does not choose to give more, would not his only alternative be to sell some part of the goods which he had previously bought?—That was the alternative.

416. Were there not such great inconveniences found in that alternative as to make it necessary to do away with the usury laws?—I should think that would be the effect in the case of a man who must have money, for instance to meet his engagements, and whose assets are locked up in a commodity for which at the time there is no fair market, or only a depreciated market; unless he can borrow money temporarily, and give the market a chance of rising, he must force his commodity to sell at an amount of loss far exceeding the temporary loss he would sustain by paying three or four per cent. more for the use of the money for that limited period.

417. Supposing the use of the money is obtained at an expense of 20 per cent.?—That would be 20 per cent. per annum; if he wants it for three months, that would be a sacrifice of five per cent.; and the chances are, that the sacrifice in the market by forcing the sale of his goods would be much more than five per cent.

418. You conceive that the individual would be the best judge for himself, whether it answered his purpose?—Of course.

419. Would not any trader, under those circumstances, if he were debarred in consequence of the usury laws from having recourse to the more respectable class of lenders, be driven to go to the less respectable class to whom you have alluded in your evidence, who would not scruple to evade the law by any clandestine means or contrivance?—He would either do that, or, what I think is more probable, he would say at once he could not pay.

420. His choice would be between raising money at an enormous amount of

interest by illegal means or an actual bankruptcy?—If he would not sacrifice his property.

421. Before the alteration of the law, had you seen many cases in which people have come to bankruptcy that have not been really insolvent and unable to pay?—No. I have seen many cases in which persons have come either to a suspension of payments or bankruptcy, (I consider suspension of payment for this purpose pretty much the same thing,) who, if they could have held their property for a few months longer, would not have been driven to any such necessity, by the mere rise in the market, which in the mean time has taken place; but who, by not being able to hold on till that rise has taken place, have in the mean time been sacrificed.

422. Are those cases numerous, as compared with the general mass of cases of insolvency, or are they rare cases?—It is constantly occurring that particular commodities are known to be depreciated in the market below their value. I cannot give any number of them in any given period, but it is a thing perfectly well known that there are certain staple commodities which in the result every one feels must attain to a certain price, but which at different periods will not command that price, and those are the times when speculators make large fortunes; men who go and buy at a depreciated price, instead of lending their money at interest, and hold the property on till the price has rallied, and realize the difference.

423. Taking the whole question into consideration, the facility which you seem to think the present state of the law affords to the higher class of traders, and the pressure occasionally upon the lower, and the wasting of the estates of persons who at last come to insolvency, do you consider that the alteration in the law has upon the whole been beneficial to the commerce of the city of London, taking into consideration as well the material prosperity of the commerce as the moral conduct of those concerned in it?—My opinion would be, that taking the working of the measure up to the present time, its general result has been beneficial. The only question that has at all occurred to my mind upon the subject is, whether there should or not be some limit, now that you have had a certain amount of experience in the working of the measure.

424. Have you at all satisfied yourself, in your own mind, as to what that limit ought to be, so as to admit of a fair expansion in the rate of interest?—It it very difficult to say that. My feeling generally is, that there must be an amount of interest, which a man may pay, which it cannot be judicious that he should pay, because, if he does, it must end in his destruction; but where to hit the medium I hardly know. I have been turning the subject over in my mind, and I think that a limit of ten per cent. ought to cover the sort of necessities for paying an increased rate of interest which undoubtedly do arise.

425. Would not a man, circumstanced as you describe, even supposing the rate of interest were limited to the amount of ten per cent., if he were in circumstances to be disposed to give more than that, have recourse to disreputable means of raising money at a higher interest, which would equally end in his ruin?—I do not myself think that the respectable trading classes of the community will raise money in that way, if it is illegal. There is a class who will, of course, raise money in any way, by any shifts, but the very illegality of it, if it ends in a man's ultimately suspending his payments, is a sort of stigma upon him that I think would deter commercial men from engaging in it; while it is legal to do it, there is no such stigma.

426. You think that a limitation of ten per cent. would probably include in the accommodation it would afford the greater proportion of fair traders, and enable them to meet the ordinary fluctuations of credit and pressure in the money market?—As far as I can form an opinion upon a very difficult subject, that certainly would be the conclusion at which I should arrive.

427. Do not you think there might be some danger, if the legislature were to

fix ten per cent. as the maximum interest of money, that people might suppose that the legislature sanctioned ten per cent. as what might be termed the natural interest of money?—That question has occurred to my mind, as to whether that might be so; but we all know that when the legal rate of money was five per cent. it was very constantly to be had at a very much lower rate.

428. Would not such a feeling be counteracted at once by the competition in the money market?—I think it would. I have no idea that if the limit were ten per cent., that would be any reason why ten per cent. should be paid generally, though it might in some cases be urged, as a reason why it should be paid, that that was the legal rate.

429. Would not other lenders of money come in immediately at the market rate of interest to defeat such an impression?—In all ordinary transactions it would undoubtedly be so.

430. Then should you not think it better to leave the trade in money free to be adjusted by the interests of the parties dealing in it?—The only difficulty I have about it is, that I think that by making no limit whatever, you place a class of persons whose credit is not strong enough to enable them to command the regular money market, at the mercy of those to whom they may apply for assistance, and they are made to pay for their want of credit, and not on account of the increased value of money. My feeling is, that whatever is the value of the money should always be paid; but it is a different thing making a man pay a high rate of interest on account of his not being in good credit, and making him pay a high rate of interest because money commands that rate of interest.

431. Then you would suggest that limitation as a protection to parties whose circumstances are such that they cannot easily obtain credit?—Yes.

432. You alluded just now to people paying ten, twelve, and fifteen per cent.; those people, then, would be debarred from raising money?—Yes. I think they would be better without it.

433. Do you not believe that the individuals who paid that rate of interest were in a state bordering on insolvency?—I think it generally terminates in that.

434. Have you known instances where the power of raising money at a greater interest than five per cent. has induced persons to continue their mercantile operations longer than they ought to have done, and longer than they would have done under other circumstances?—I have known instances of persons who, by being enabled to get money at that high rate of interest, have gone on in business longer than they ought to have done. A proof of that has been, that when they find their way into the gazette you find that their assets are next to none.

435. If, in order to obtain that money, they would have been obliged to have recourse to illegal means, do you imagine that they would have had recourse to those illegal means, or would they have stopped payment earlier?—I think they would have stopped payment earlier.

436. On the other hand, do you think there are many instances where persons possessing real property, which is at the moment depreciated in value, are able to overcome their difficulties by raising money at an advanced rate of interest?—Yes.

437. And by that means altogether avoiding insolvency?—Certainly.

438. Is it your opinion that, in cases where insolvency can be prevented, great benefit is derived, not only to the individual escaping insolvency, but to many other parties more or less depending upon him?—Unquestionably.

439. Therefore, if insolvency were prevented by obtaining loans at a higher rate of interest, it would not only save the individual himself from great injury, but it would also prevent great distress and evil to the public, or at any rate to a large number of individuals?—Undoubtedly so; there is no knowing where the mischief stops of suspension of payments in particular quarters.

440. Do you find that the estates of persons that have become insolvent and called their creditors together are more generally exhausted since the passing

of the law than was the case formerly?—That is my opinion, certainly: that is the impression that has been made upon my mind, that the estates of that class of persons who become bankrupt are now more exhausted than they used to be.

441. They do not call their creditors together at the same period of insolvency, but go on borrowing money at whatever interest it can be borrowed at?—Yes.

442. But in giving that answer you of course do not take into consideration the number of persons who are prevented from becoming insolvent at all, by the facility which they have acquired of raising money, by the repeal of the usury laws?—I do not at all mean to underrate the benefit derived by those means.

443. You have suggested a limitation of the interest to 10 per cent., or some other rate; can you suggest to the committee any other modification or alteration of the law which would, while it gave what you conceive to be the benefit of the alteration, in any way mitigate the evils that have arisen out of it?—I cannot say that I am prepared to do that; I would not suggest a limitation of the period for the loans; for instance, I should not consider it a proper mode of dealing with the usury laws to make a distinction of bills having one period to run or another; I do not know that I have given the subject that consideration that it is susceptible of, but I do not myself see how you are to get at the other benefit of enabling persons in one set of circumstances to get money by paying a larger interest than is customary, and at the same time avoid the difficulty you get into on the other hand, of subjecting others to unfair oppression or extortion, or whatever it may be called.

444. Do you think the new law has been long enough in force to ascertain all its workings and all its consequences?—I should think so; I think nothing is worse than an uncertain state of the law; in fact, we are in that position now that we hardly know what is the state of the law at this moment, and it is a matter upon which some of us feel very great interest; I hope that it may now be made clear to us.

445. In what respect is there any uncertainty at present?—The uncertainty that I feel, or rather that I have heard suggested, because I rather take upon myself to say that I do not feel it as an uncertainty, but there are others that entertain a very different opinion upon it; the uncertainty is, whether the usury laws at this moment are altogether repealed, except in reference to securities upon real estates; for instance, the act of Parliament is, in terms, that no contract for a loan of money shall be affected by the usury laws, and yet there are expressions introduced into the act about bills not having more than twelve months to run, which would seem to imply that if a bill had more than twelve months to run, it was within the usury laws; and yet there can be no usury at all unless it be grounded upon a contract; and if no contract for a loan of money, as the act says, is to be usurious, then whether the contract apply to a bill of exchange having five years to run, or to anything else, it is not usury; and yet the act, in the framing of it, appears originally to have been intended to apply, and the previous act refers exclusively, to bills of exchange having a certain period to run, and then there have been introduced into the act words of a much more extensive description, namely, that no contract whatever for a loan of money shall be within the usury laws; which, to my mind, supersedes any question about whether a bill has twelve months to run, because the only usury that could attach in the case of such a bill would be upon the contract.

446. Is your construction of that section of the act of Parliament this, that a contract for an indefinite period may be entered into without being subject to the usury laws?—That is my construction; that while that act is in force the usury laws are repealed, because the only law against usury is, that you shall not contract for a loan of money at a rate of interest beyond so and so; then, if any such contract is not to be affected with usury, there is no usury.

447. May not those words in that section refer to antecedent words, and the word "contract" be supposed to mean a contract for twelve months only?—As

far as I understand it, that was not the intention of the act, and it is not my reading of it.

448. Do you not understand that that is the opinion of many persons?—I have said before there is a difference of opinion about it, but I believe there are a great many who prefer not to give any opinion at all upon it.

449. Do you consider that there is any numerous class of bills that have more than twelve months to run?—No, I do not; but there have been contracts made for the loan of money at more than five per cent for periods exceeding twelve months; for periods which will not be expired when this act of Parliament expires.

450. According to your view of the construction of that clause in the act, would a bond, upon which it was agreed to pay a rate of interest of more than five per cent. per annum under the existing law, be exempt from the usury law?—My opinion is, that it would clearly be exempt, although the period stipulated for the repayment of the money was subsequent to the period when this act of Parliament expires, so long as the contract for the loan of the money was made while the act of Parliament was in existence.

451. Does not the power of persons engaged in commercial adventures to borrow money at a very high rate of interest enable persons, under the cloak of lending money at a high rate of interest, practically, though not technically in the eye of the law, to become participators in adventures, without being liable to responsibility under the partnership laws?—It is capable of being so applied.

452. Is there any difference in that respect, by reason of the higher rate of interest, from what might be done by a similar advance of capital at five per cent.?—Yes, as I understand it: the object supposed is, that the party does not wish to be a partner in the adventure, but he will put his money into it, provided he can secure a return of 10 per cent. Now, under the old law, he could not have lent his money at 10 per cent.; if he took 10 per cent. it would be either usury or partnership; whereas now I may lend my money to a party who is going to speculate, upon the condition that he shall return me 10 per cent, the meaning being, "You will make 20 by it, and therefore let me have half," but not as a partner; it is capable of being so applied, certainly.

453. What kind of security is usually given by those persons who borrow at 12 or 15 per cent.?—That is on bills of exchange.

454. But which bills of exchange are not considered good paper?—Which are considered doubtful paper.

455. At what period were those high rates of interest you have alluded to given?—I should say that, more or less, they are given up to the present time, because the rate of interest I allude to is regulated rather by the necessities of the party than by the value of money.

456. Do you not consider it to be regulated also by the extent of risk which the parties run?—Certainly: I intended to include under the necessities of the party his want of credit.

457. Then the difference between the common rate of interest in the money market and this high rate of interest may be considered as an insurance taken by the party against a transaction which otherwise he would reject?—Precisely so.

458. Did not the usury laws, in their former state, in point of fact add to the extent of that risk?—In the former state of the usury laws the transaction could only take place by an evasion of the law as it stood; and any party who did not care to engage in an evasion of the law would pay more still, because he would have to pay for both contingencies—the want of credit and the risk of detection.

459. Can you state what has been the utmost rate of interest of money which has come under your notice, taking into consideration the interest of money and

the commission charged?—I think the other day I met with an instance of a man paying five per cent. for a two months' renewal, and continuing that for twelve months.

460. How much does that make in the total interest?—Thirty per cent.; that happens to be a case of recent occurrence which I happen to have in my mind, but it is of very rare occurrence.

461. Do not you think it possible to put an end to practices of that description, without interfering with what might be called the fair range of the contraction and expansion of the interest of money?—I do not see my way to it; the only way, I presume, would be by making it an offence; but then the difficulty would be to define it; there would be no end to questions as to whether the thing was *bona fide* or an unfair extortion.

462. Under what circumstances was this high rate of interest which you have just mentioned paid; was it in the case of a person in bad credit or in good credit?—It was a person not having access to the money market, not in trade; a man, I should say, who, if he had had access to the proper parties, who knew him, ought to have borrowed his money at something like the usual rate; but not having those quarters to go to, he went to the only channels he could meet with, privacy being to a certain extent an object with him.

463. Was it for a considerable sum?—I think altogether it was about £2,000.

464. Is not what you call privacy almost always an object with persons borrowing money at a high rate of interest?—I should not say it was, if it be all fair—if the object be legitimate.

465. If they are paying a rate of interest which persons in good credit would not pay, would not the mere apprehension of injuring their credit induce them to desire privacy?—It would to a certain extent, but, generally speaking, the privacy would be with the broker who got the money for him; in the instance I allude to it was not done through a broker.

466. Was it a bill drawn by the person and accepted by him?—I think it was his own note. I did not mention that as furnishing any criterion, but I was desired to state the highest rate I had met with, and I stated it on that ground, not as furnishing any datum for any other transaction.

467. But below what you call the highest rate, you have met with other instances of a high rate?—I have.

468. Rates beyond 10 or 12 per cent.?—Varying from 10 to 12 and 15 per cent., excluding the commission.

469. And those are not uncommon or unusual?—Those, I should say, are not unusual.

470. Are you acquainted with the transactions of advances under the annuity acts?—I know them generally; but I have had no experience in dealings in annuities.

471. Previously to the relaxation of the usury laws with respect to bills of exchange and other securities, did not the annuity acts in themselves operate as a total repeal of the usury laws quoad advances made by annuity?—Yes, they did, undoubtedly; but it was not a mode of raising money resorted to by commercial men.

472. But it was resorted to by persons under the pressure of distress, and who had not the means of giving security beyond their lives?—Certainly.

473. But not among commercial men?—Not among commercial men.

474. Have you any mode of estimating whether those annuity transactions have increased or diminished subsequently to the relaxation of the usury laws?—Personally I have not. It is easily ascertained, because they are all enrolled.

475. From your experience upon this subject, do you consider it possible that many persons, obtaining an advance of money at a rate higher than five per cent. previously to the relaxation of the usury laws, have been driven to raise money upon annuities?—I think it is very likely. The case put in the former

question, of persons having a life interest, is a case that can hardly be dealt with except by annuity, because they have no security to give for the principal.

The witness is directed to withdraw.

James William Freshfield, jr., esq., is called in and examined, as follows:

476. You are a solicitor in the city of London?—I am.

477. You are a solicitor to the Bank of England?—I am.

478. Have you been in business for any length of time?—I have, for twenty years.

479. Of course, therefore, you are acquainted with the state of business in the city, both before the passing of the late laws respecting interest of money and since?—Yes.

480. In looking at the operation of those laws upon the business of the city, both as it respects the transaction of the business materially, and as it respects the character for integrity and honor of the persons concerned in it, what is your opinion of the operation of those laws?—I have never given any attention to these subjects speculatively; I have only considered them when they have come under my notice in the course of my business, and looking at it in that way, I have no hesitation in saying that among the bankers and higher class of money dealers, with whom I have been more particularly engaged in business, the relaxation of the usury laws has been decidedly beneficial, in my opinion.

481. You say among the higher class of bankers and merchants. Can you state at all how it has operated among what may be called the second class of men in business?—Among the retail dealers and traders I cannot state what has been the operation of the relaxation in the usury laws; but, speaking generally of the operation of that relaxation during the last two years, I think it has been eminently useful. I think that during the last four years in particular the city has suffered a pressure for money greater than I ever remember before, and that pressure has been borne with a degree of ease which I think has never been the case before, in consequence of the relaxation of the usury laws and the great facility which that has afforded to persons who had security to avail themselves of it; and I think, upon the whole, among the bankers and the larger class of money dealers, there has been less of failure, in consequence of that, than at any previous period of pressure at all analogous to it; but I do not wish to give any opinion as regards the operation upon the retail dealers and traders, because that has not come under my own personal observation.

482. You say that the pressure for money has been greater during the last year or two than at any former period within your recollection?—I think, as a continuous pressure, during the last four years it has been greater than at any previous period in my recollection.

483. Therefore that pressure, which has been much greater than at any other period within your recollection, has existed during the period when the penalties upon usury have been suspended?—I think the first act of Parliament which passed relaxing the usury laws in 1833, and which was a clause in the bank act, authorizing dealing in bills of exchange for three months, had very little operation, and the law remained in that state till the summer of 1837. It was at the close of 1836 and the beginning of 1837 that the pressure commenced, and the pressure has continued, more or less, ever since, aggravated by the insufficient harvests that occurred and the political and financial state of things in America. The pressure had manifested itself in the most striking manner anterior to the material change in the usury law which took place in 1839. I think that that pressure, being in its full force at that time, has been relieved to a remarkable extent in consequence of the change that then took place.

484. Whether it has been removed or increased by the alteration of the law, in point of fact it has existed in its greatest intensity during the period that the present law has been in force?—Certainly, to some extent it has.

485. But you do not mean to attribute any part of that pressure having occurred to the relaxation of usury laws?—Quite the reverse.

486. Your business is principally with the bank and the great houses of business and banking in the city?—I have also a very considerable and extensive business with the merchants and mercantile interest in the city; but of the operation of the usury laws on that class of persons I do not speak with so much decision, because my attention has not been drawn so forcibly to that as it necessarily has to the class of persons whose business consists of dealings in money.

487. Among that second class of persons, have you seen cases in which large sacrifices have been made for borrowing money?—Yes, I have.

488. To what extent in point of rate of interest?—I think that I have never seen any instance beyond ten per cent., or at the utmost twelve per cent.

489. Are you speaking of the interest charged, or of the interest combined also with commission?—I think I may say the interest combined with the commission.

490. Taking the two together, you have not had under your notice cases beyond ten per cent. interest?—I think not above, at the utmost, twelve per cent., including both interest and commission.

491. How did that class of persons get their accommodation in former times?—By a great sacrifice of property; by sacrificing their goods.

492. Was not there always an amount of capital employed in discount to persons of that description within the legal interest of five per cent., which they would still have had at that interest, if the alteration of the law had not taken place?—I think not nearly to the same extent during such a period as we have had the last three or four years.

493. Why not? has the present law contributed to create new capital which did not exist before?—It has brought out capital that under other circumstances would not have been made so available.

494. To what other employment could that capital have gone?—I cannot follow out the ramifications of the money market, but I am inclined to think that a great deal of money has been withdrawn the last three or four years from various foreign stocks.

495. Have you not been acting in the estates of many insolvent persons?—I have.

496. Have you found that lately their assets have been very much exhausted by the high rate of interest they have paid?—In the cases that have come within my own experience, I should say that they have not suffered materially from the high rate of interest that they have paid. I think the relaxation of the usury law may perhaps be prejudicial in another way, namely, in enabling them to pledge and dispose of their property; but I do not think the sacrifice made by the interest they pay is one that does materially tend to the injury of their estates.

497. Had there been no such relaxation of the usury law, would it not in many instances have had the effect of compelling them to part with their property altogether?—I think decidedly so.

498. And probably at depreciated prices?—Probably at greatly depreciated prices; still to the creditors, probably, the consequences would not have been more ruinous, because, if they had pledged and disposed of all their property, the creditors would equally lose the benefit of it.

499. Is not it within your experience that generally the estates of persons coming to insolvency have been more exhausted, and therefore less available to their *bona fide* creditors, since the alteration of the law, than they were before?—No: that has not been my experience; all the improvements in the mode of conducting trade and banking in the city of London have that tendency; the facilities afforded by the docks, and the facilities of banking, all have a tendency

to enable parties to make more use of their credit, and (if they are so disposed) to make way with their property, and therefore there is necessarily a constant tendency towards that state of things which has been referred to, but I have not noticed it particularly within the last three or four years; it may have existed, but it has not fallen under my notice.

500. What is the general rate of interest that you think business is done at now?—The rate of interest has fluctuated exceedingly; the great advantage which, I think, has arisen from the relaxation of the usury laws has been, that parties have been enabled to obtain money at some rate when they wanted it for short periods; I have known bankers give, in the last three or four years, 10 per cent. for money for a short period, and it was very much better worth their while to give that high rate of interest for a short period, than it would have been to have paid a much lower rate for a longer period, yet they never could have borrowed money for a short period but at such a rate as would tempt the capitalist to produce it. I remember a case within about three or four years ago, a very eminent mercantile house who required to borrow £100,000, and they had ample landed security to offer, but as the law would not allow them to give more than five per cent. upon landed security, and as no individual would lend his money for six months or twelve months, which was the period for which alone they required it, they were prepared to stipulate, and I was authorized to stipulate to keep the money for the period of seven years; now, that certainly is an illustration of what I mentioned, namely, that a loan of money at a high rate for a short period is much more beneficial to the trader in many cases than to be compelled to take the money for a period that he does not want it; yet it is obvious that no man will lend his money at a low rate for a short period, except some benefit of that sort is held out to him.

501. So that in the case you mention a very heavy debt and protracted responsibility were incurred, which would not have been incurred had the usury law admitted of a higher rate of interest being given?—It was not actually incurred in that case; the parties were enabled to raise money upon commercial security at a higher rate of interest, and did raise money upon personal security; and I have reason to believe that the whole of that money was paid off, one-half of it at six months, and the remainder in six months further; it was nothing but a temporary want.

502. But they had found the difficulty so great as to authorize you to incur that responsibility?—I was authorized to incur that responsibility.

503. Can you state the average rate at which business is done in the city?—At the present moment the bank rate is five per cent.; that necessarily keeps up the banking rate of interest to five per cent.; I think the rate of interest would fall below five per cent. if the bank did not at present keep it up to that; and therefore I think that may be considered as being about the market rate.

504. The operation of the bank has a tendency to keep up the rate of interest elsewhere?—Certainly.

505. And in the same way when the bank lowers its rate of interest, that produces a considerable effect upon the market rate of interest?—It immediately brings it down.

506. The bank have never taken more than six per cent.?—No.

507. At the time they took six, was that the market rate of interest?—No, there was a rate given beyond that; there is a class of paper which is beyond the bank's limits in point of time; and there are other circumstances affecting the negotiability of paper to be considered, and as probably the parties would not get from the bank the full amount required in a time of pressure, and the market rate at those times was occasionally considerably beyond the bank rate.

508. Seven and a half, perhaps?—Yes; probably about that, but for short periods, I should say; and I wish to observe, that not being in the trade, I

speak from a knowledge of particular and occasional transactions, and not from the daily course of business.

509. You have spoken of the sacrifices at which parties were sometimes compelled to sell their goods prior to the relaxation of the usury laws, when there was considerable pressure upon trade; were those sacrifices, in your judgment, a greater burden than the excess of interest which, under the relaxation of the usury laws, they are now called upon to pay?—I think they were infinitely more burdensome and destructive.

510. Were they not also collaterally destructive to the property of other persons who owned property of the same description as that which was so sold at a depreciated value?—Decidedly.

511. Lowering the value of the whole of the commodity that was so forced into the market?—Most decidedly.

512. During the existence of those compulsory sales in time of pressure, must there not have been a considerable mass of capital employed in purchasing goods which were sold at a depreciated value in consequence of the depressed state of the market?—Certainly.

513.—Under the relaxation of the usury laws those compulsory sales being lessened in number, the necessity for them being diminished, must there not be some extent of capital previously employed in the purchase of depreciated goods which now becomes applicable in the discount of bills?—Probably that is so.

514. And so far there is an extended capital applied to commercial discounts that formerly was employed in another way?—Probably that is the case.

515. Can you state, from your recollection of the times before these laws were altered, that there was any great want of capital in the city of London for the discount of any commercial paper that was fit to be discounted?—In times of difficulty and pressure I think that money has not been to be obtained at all at the period you are speaking of; in ordinary times, no doubt, five per cent. is quite high enough; but I speak of times of pressure: and there have been times of pressure when money was not to be had.

516. Do you remember the transactions of the year 1825?—Yes, perfectly well.

517. At that period exchequer bills were at 80*s.* discount, and India bonds were entirely unsalable, or nearly so. Was money to be had at that period upon ordinary commercial security?—It certainly was not; and I think the pressure that has taken place during the last three or four years would have been productive of consequences equally disastrous, if there had not been the relief afforded by the relaxation of the usury laws. I wish to state upon that subject, that the act of 1837, applying only to the discount of bills, was altered in 1839, by extending it to contracts generally; and I had the honor of communicating with the then chancellor of the exchequer upon that subject; and I wish to state that in any measure of this description I think it most material that the relaxation of the usury laws should be the rule and not the exception; the law of 1837, applying only to bills of exchange for twelve months, was found to be, practically speaking, very nearly inoperative, because it is only in times of pressure and difficulty that the rate of interest is above five per cent.; and when the rate of interest is above five per cent., and credit is at a low ebb, parties will not lend money without collateral security; and the act of 1837 authorizing the discount only of bills of exchange, it was doubted whether the transaction was protected if the bill was collaterally secured by property, and therefore that act was in truth inoperative; it was afterwards proposed to amend that, by authorizing a loan upon various securities; but it is found that all enumerations of that sort are sure to lead persons eventually into difficulty; and while the law remains that the loan of money at a rate exceeding five per cent. is generally illegal, with certain exceptions, the courts of law will always endeavor to narrow the exceptions as much as possible; and therefore a man lend-

ing his money is almost sure to find himself in the position of having the question raised, whether his case is the precise exception within the act of Parliament.

518. Then you would extend the relaxation to loans upon the security of land as well as personal property?—A difficulty arises upon that very question under the last act, for it occurred to me at that time to find that many transactions could not be carried on in consequence of the exception of land—certain dock securities and railroad securities, which partake of the nature of securities on land—and great inconvenience arose because money could not be raised on them at a rate beyond five per cent. I do not offer any opinion on the general question of the relaxation of the usury laws, nor upon the question of the relaxation respecting land, because those questions may embrace considerations which I have not entered into; but whatever law passes upon the subject should be a simple law, for otherwise individuals are entrapped into the commission of usury.

519. But supposing the object was to exempt from the operation of the usury law money lent for short periods, how would you propose that the bill should be drawn?—I would make a general exemption of all contracts for the loan or forbearance of money for periods not exceeding any time that your lordships should think fit.

520. You mean not exceeding a certain number of months, or a year?—Yes.

521. That would not include a bond, would it?—Yes, it would; a bond is for a certain period.

522. Supposing that state of the law to exist which you recommend, and that executors or trustees were called to account for transactions of bygone times, and they were able to plead that in the management of their business they were obliged to pay one year six per cent., and another year ten per cent., if it were left without any limitation whatever; would not that open a great door to fraud?—No; I think not.

523. Supposing a person to be accounting in the court of chancery for transactions of bygone times, at present he would be limited to five per cent. interest: but would not it open a great door to fraud, if he had the power of stating that he had been obliged to pay a certain high rate of interest for money, where there was no power of checking the transaction?—It would be like any other payment he made; whether it was warehouse rent or commissions on the sale of goods, or the purchase of goods or anything else, he must vouch his account by showing what he paid.

524. In the case of warehouse rent or commissions on the sale of goods, are not those charges which are in themselves limited, and which the persons to whom they are charged are capable of ascertaining the correctness of; but would that be so in the case of the charge of interest of money, where the committee have heard that different rates may be charged—from three or four per cent. up to thirty per cent.?—It could hardly happen that executors would be in the position of borrowing money and having interest to charge; but if they were, I see no more difficulty in their passing their accounts charging the interest they have paid than any other payment they have made.

525. Do you conceive, under the act of 1839, that a contract for a loan of money, not being a promissory note, may be made exempt from the operation of the usury laws for a period longer than twelve months?—That has been my opinion

526. That is your construction of that clause of the act?—Certainly it is.

527. Considering that when money is borrowed upon bond, although nominally the person is to pay within a certain period, it is very well known that the money is lent for a longer period, and it is under very different circumstances from those of a mere bill which is due upon a certain day, would you include bonds within the relaxation of the usury laws?—I certainly would. I think that if the usury laws are to be relaxed at all, they should be relaxed very generally. I repeat, that it is only in time of difficulty and pressure that there is

any advantage in increasing the rate of interest beyond five per cent., and in times of that sort every facility should be afforded.

528. That would apply only to loans for short periods; but in case of a bond, which, in point of fact, though not technically, is a loan for a considerable time, why should not they be exempted from the operation of the usury laws?—A bond is in form payable at the expiration of six months; the debtor may at the expiration of six months pay it off if he chooses, and therefore the contract is a contract to pay six, seven, or eight per cent. for six months. If the debtor chooses to prolong it beyond that period, that is at his own option; it is no part of the contract; or, if it be part of the contract, it becomes illegal, assuming the law limits such a contract to six months. If the money continues beyond six months without any new contract, it will be at the legal rate of interest.

529. Do you consider that the relaxation of the usury laws has had the effect at all of raising the interest of money lent on mortgage?—I do not.

530. That has remained pretty steady during the fluctuations in the value of money invested in other securities?—Very nearly so. The rate of interest of money upon mortgages is to a great extent affected by the public funds. The Equitable Insurance Company lend upon a scale which has reference to the price of the funds, and when the funds are below ninety I think there is a difference of a quarter or half per cent., and the consequence is that the funds having been below ninety, I think the rate of interest upon mortgages has been gradually raised—that is to say, there has not been the same disposition to lend below four per cent. as there was before.

531. What do you consider the present current rate of interest upon mortgages now to be?—I think within the last twelve months it has been about four per cent., but I believe it may be had now under four per cent.

532. And it has been in that state the last three or four years?—Yes.

533. So that while the interest of money borrowed upon land has been under four per cent., and while the interest of the public funds has been kept a little above three per cent., the transactions of merchants have been liable to fluctuations from three up to twenty or thirty per cent.?—I do not think the transactions of merchants have been liable to that high rate; the transactions of traders may have been, but not of merchants, I think, at that very high rate; but no doubt there has been a great difference, and no doubt also the risk has been generally commensurate with it.

534. Was there the same distinction in the year 1825, which you have stated to have existed recently, of the interest upon mortgages remaining pretty constant, whilst money was scarcely procurable upon any terms upon mercantile security?—I think the rate of interest upon mortgages at that time was not so settled and so well defined as it has been lately; the bank had only recently advanced money upon mortgage, which first fixed the rate at four per cent.; but I think that much of the money still remained out at a rate above four per cent., and that it was not then so well defined as it has been lately.

535. The object of the question is to ascertain whether at the period of 1825, when the great fluctuations occurred in the value of money as measured with reference to other securities, the interest upon mortgages still remained, relatively and comparatively speaking, undisturbed?—I will not speak positively to the rate of interest upon mortgages at that time.

536. Is not the circumstance of the rate of interest upon mortgages being so much less to be ascribed, to a considerable extent, to the interest being of a permanent character, whereas the interest upon commercial transactions is of a temporary duration?—Most certainly, and to the nature of the security.

The witness is directed to withdraw.

James Cook, esq., is called in and examined, as follows:

537. You act as a broker in the city of London?—I do.

538. In what branch of trade?—A produce broker, intrusted with the sale of

merchandise generally to a very considerable extent, but more particularly connected with the trade of the East Indies and West Indies.

539. Your business makes you acquainted with the general transactions of merchants doing business in the city?—Yes.

540. And with the practical transactions of general business?—Yes.

541. Have you been in that situation for some years?—The last 25 years.

542. Therefore you are acquainted with the condition of the business of the city, both before and since the alteration made in the laws regulating the interest of money?—Yes.

543. Will you state to the committee how you consider the change in those laws to have operated?—My own view is that the alteration has been extremely favorable to the capitalist, but extremely detrimental to the borrower, and I therefore consider that it has operated very badly. I calculate that sugar amounting to thirteen millions sterling is sold upon credit; tea, six millions; coffee, two millions; tobacco, five millions; wine and spirits, seven millions; British spirits, eleven millions; cotton, ten millions; British and foreign wool, fourteen millions; flax, three millions; silk, three millions; which articles I enumerate as having come more especially under my own notice, my business being to sell the greater part of such merchandise to dealers, traders, consumers and manufacturers; the whole of the transactions in these articles and a few others, amounting at least to one hundred millions, are represented by bills of exchange, and I reckon that the amount of the difference of interest paid by persons discounting these bills in consequence of the change in the law cannot be less than a million and a half, which sum has gone into the pockets of the capitalists, and for the most part has been withdrawn from the industrious classes of the community, for there has been no profit commensurate with the heavy charge for interest; therefore, I believe the relaxation of the usury laws has acted unfavorably upon the trade of the country.

544. How do you come at the precise sum of a million and a half?—I consider that, supposing no change had taken place, only five per cent. could have been charged; and I reckon that a difference of one and a half per cent. has been exacted in consequence of the repeal of the usury laws.

545. How are those bills drawn; what is the course of the transaction?—I will state the course of the transaction with regard to sugar, which branch of trade is to the extent of thirteen millions; it is in my department to sell the sugar for the consignees, particularly of the Mauritius, of which description of sugar the greater part comes into my hands; the purchasers from me are the wholesale grocers and refiners, who again resell it extensively on credit to the dealers and consumers, and draw generally bills for the amount of their sales, and those bills have to be discounted; tea is sold in bond to the tea-dealers, who pay the duty, and many of them resell it to the consumers, and upon whom bills are likewise drawn; it is partly the same with coffee, tobacco, wine, spirits, timber, flax, &c., &c.; the Italian silk also is sold upon bills at four months' date.

546. Those are transactions in which, to a very great extent, you are yourself concerned?—Yes; I am aware in what way they are transacted.

547. At what rate were those bills formerly discounted, before the laws were altered?—Certainly at one to one and a half per cent. less than they have been since discounted.

548. At what precise rate?—Five per cent., and occasionally a commission charged by the bill-broker in addition to the five per cent.

549. Was not that in violation of the law as it existed at that period?—It would have been if the broker had made a *bona fide* transaction of it himself, that is, discounted it with his own money; but if the broker who received those bills could obtain the capital from a banker or from any other capitalist, and charge any commission he pleased, then it would not have been a breach of the usury laws; and I know that the trading community were occasionally subject

before the repeal to commission upon bills, and had to pay in scarce times more than five per cent.

550. In those times you allude to, before the alteration of the laws, to what amount did the interest, including the commission, exceed the legal interest of five per cent.?—That is rather a difficult question to answer; it would vary, depending entirely upon the state of the money market.

551. Did it ever amount to six or seven per cent.?—My own impression would be, that it never would have been more than five and a half or six per cent.

552. What has been the case since the alteration of the laws?—Seven, eight, and ten per cent.

553. Has ten per cent. been common?—Certainly not with mercantile people, but the trading community have been subject to that, and even a much higher rate.

554. The paper you are now speaking of constitutes the paper used for the great commercial transactions of the country?—Yes.

555. Is not paper of that description discounted at the Bank of England?—I should say only a small proportion of it.

556. Not sufficient to take off the large mass of what you would consider the good paper of the commerce of the country?—Referring to silk, the date of the bills would be four months; consequently the bank would not discount them at all, and that would be the case with the bills for timber, flax, and many other articles of merchandise.

557. Till those bills came within the period limited by the bank?—The traders could not hold the bills; they would be obliged to discount them, in order to get capital to carry on their business.

558. In the times you have spoken of, before the alteration of the law, did the traders, in point of fact, find any material difficulty in getting their bills discounted?—I believe none, comparatively; I consider that the alteration of the law, as I stated, has operated badly upon trade, for no new money has found its way into the country. I believe that the trade could have been carried on under the former law with the same facility as it has been carried on since the repeal; therefore I infer that the capitalist has got a benefit upon those transactions to the extent of a million and a half, and that that money has come out of the pockets of the middle classes of the community; and hence arises, in a great degree, so much insolvency at this time; from inquiries I have made from different official assignees of the court of bankruptcy, I find many of the bankruptcies have no assets at all to divide among the creditors, for it is found that the high rate of interest has left comparatively nothing, and it is also found that persons who have been lending money have been reaping a great harvest, to the disadvantage of the general body of creditors.

559. Will you state who the official assignees are to whom you refer?—The one I particularly allude to is Mr. Johnson, and also to Mr. Edwards.

560. Any other?—I refer to those two.

561. You consider that, in the present state of the high rate of interest, a large portion of the profit upon the commerce and adventure of the country is derived by money lenders, to the detriment of the active persons carrying on the commerce of the country?—I have no doubt that it has been a most injurious measure; the time, probably, has been an unfavorable one for the experiment; but without looking prospectively as to what the effect under a better state of things may be, my evidence is only meant to apply to what has been the effect hitherto, and that the trading community have suffered considerably by the alteration of the law; for I believe they would have obtained equal facilities under the old law, and therefore the additional amount of interest they have been subjected to has been transferred from them to the capitalists and persons who have money to lend. With reference to myself, I am in that position that the law is ex-

tremely favorable to my interest, and, as far as I am personally concerned, I could have no other wish than for its continuance.

562. Do not you think that, under the law as it formerly stood, many persons were obliged to sacrifice their property who were not able to borrow money, and who now, being able to borrow it by offering a high rate of interest, save themselves from that necessity?—That is the popular view of the case, and that is the impression of many persons in the city; but having been in the habit of making considerable advances myself at different periods, I should say that there would have been little or no difficulty on the part of respectable people in getting facilities under the old law; but I know that many of my friends in Lombard street entirely differ with me in that opinion.

563. The money you have advanced you would have advanced within the limits of the rate of interest at former times, though you are very glad to take whatever the alteration of the law now permits you to take?—Certainly.

564. Do you find persons carrying on trade frequently complaining that the alterations made in the interest of money, alterations which are frequently imputed to the conduct of those who lend money, particularly of the Bank of England, operate very prejudicially upon the persons carrying on the real commerce of the country?—The trading community complain very much of the alteration of the law, and do not at all approve of it, for it has operated unfavorably upon them as borrowers.

565. Is not it the case that in times of plenty they may begin their operations under the expectation of an interest of three per cent., and that the rate of interest may be screwed up before the transaction has terminated, so as to oblige them to pay seven, eight, or ten per cent.?—Since the repeal of the law I doubt whether in that respect it has operated unfavorably, because the rate of interest has been very high; in fact, most persons have been looking ahead a little.

566. You have stated just now that the trading interest are unfavorable to the present law; what do you understand by "the trading interest?"—I refer chiefly to the buyers of produce generally, as coming under my own observation, and particularly grocers, drysalters, &c., the greater part of their trades being conducted upon credit; and I can give your lordships an instance of a person who has recently failed in the colonial market, who ascribed his failure chiefly to the high rate of interest he had been subject to by discounting bills; he mentioned as having to pay £90 a week for discount, and having no profit equal to it.

567. Under what circumstances did he discount at that rate?—The circumstances were, that he required facilities to carry on his business.

568. What would have been the consequence, supposing he had not discounted at that rate?—I do not attribute his failure altogether to the high rate of interest, but many are bolstered up by borrowing at a high rate of interest from month to month; and when they fail, and their accounts are looked into, it is found that there are no assets left; it would therefore be well worth the while of this committee to examine some of the official assignees.

569. To what do you say that that person attributed his failure; you were understood to say that he attributed it to his having paid a high rate of interest?—He could not bear up with the high rate of interest he had to pay every week.

570. Are you of opinion that he could have obtained his money, had it not been for the relaxation of the usury law, at five per cent. interest?—The party I allude to banked with a city banker, and I have no hesitation in saying that he would have obtained discounts at five per cent., and the difference went into the hands of the bankers, to the cost of the creditors.

571. And, in your opinion, those rich persons, to whom you have alluded as having lent money at a higher rate than five per cent., would have lent their

money to the same extent at five per cent. if there had been no such relaxation of the law?—I have no doubt of it.

572. You think they had no other means of obtaining interest for their money higher than five per cent.?—The capitalist would have been contented with employing his capital at five per cent., but as the law gave him more than five per cent., of course he obtained more than that rate.

573. Do you think he would have been contented with five per cent. if he had had the means of employing his money so as to obtain from five to six or seven per cent. without discounting bills?—I think, in the case I have alluded to, the bankers would have discounted the bills at five per cent.

574. Do you think that bankers have no means of employing their money otherwise than by discounting bills, so as to make more than five per cent.?—That is the general mode adopted by all prudent bankers.

575. Was there any other mode of employing his money by which a banker could make more than five per cent. before the alteration of the law?—I believe occasionally it could be done.

576. By investments in foreign stock?—No prudent banker would have invested his money in that way; but I believe that bankers might have obtained a higher interest by buying stock for money, and selling it for time.

577. Do you believe that at times when the market rate of interest exceeds five per cent., a banker employing part of his disposable capital in discounting bills, and part in investments of another description, would not employ less in discounting bills if he was debarred from obtaining more than five per cent. for it?—I do not think he would, from my experience of banking operations in the city.

578. In point of fact, you do not think the relaxation of the usury laws has brought more money into the market to be lent?—The circulation and the exchanges show that no new money has been introduced into the country: there has been only the same quantity of money to deal with; and that money being held by capitalists, they have been receiving an extra rate for it.

579. Do not you consider that the value of money varies?—Yes, it does.

580. And therefore it is worth more at one time than at another?—But it was never worth more than five per cent. in this country before the repeal of the usury laws took place.

581. Could it be got at five per cent. during the time of the pressure in 1823?—Yes: the Bank of England at that time acted liberally, and almost every one could get money.

582. Provided they gave good security?—Yes.

583. Not upon personal security?—No.

584. Do you consider that the value of money is never more than five per cent. in this country; do you consider that the value of money was ever greater than five per cent. before the repeal of the usury laws?—It could not have been greater than five per cent., except in particular instances, for only five per cent. could be exacted before the repeal of the law. I admit that money may be got from one district to another when there is a surplus over the wants of such district, but you still have only the same quantity of capital in the country.

585. Then you would say that the law could regulate the value of an article?—I do not mean to say that the alteration of the usury laws prospectively may be a bad thing; I do not venture to give an opinion upon that point, but merely what the effect has been hitherto.

586. You said, that before the repeal of the law those bills were in the habit of being discounted at a greater rate than five per cent., because there was the five per cent. plus the commission and various other charges, which made it come to six or six and a half?—That was only an occasional thing when the

bill-brokers employed their own capital they could not exact beyond five per cent., because it would be usurious.

587. Including commission?—There was no commission charged in such a case.

588. Did not the amount of commission vary according to the state of the money market?—There was a certain price, an eighth or a quarter per cent., in addition to the five per cent.; but, from my recollection, it was considered unfair to charge more.

589. You are not aware of commission to a greater amount than you have just stated being charged?—I am not a bill-broker, and consequently cannot say what charges persons might have been subject to; but I do not believe it was ever more than an eighth or a quarter per cent., never making the rate of interest more than five and a half to six per cent.

590. Are you in the habit of getting great advances upon bills?—It is my business to make considerable advances; I am drawn upon to the extent of millions sterling in the course of the year, in addition to which I have a large available capital of my own; and I do not deal largely in bills, although occasionally I find it convenient to take money when it answers my purpose.

591. On behalf of your correspondents, are you in the habit of raising money upon their securities?—I seldom or never do that; and when a person intrusts me with his property for sale, it is much too sacred a thing to hypothecate that property.

592. You are not aware of any cases in which persons in trade, previously to the relaxation of the usury law, were desirous of obtaining money at five per cent. with tolerable security, and were not able to procure it?—There may have been cases, but not within my knowledge.

593. You conceive, then, that every trader had it within his power to obtain money at five per cent.?—I certainly do. It may be well to observe here, that the rate of interest on the continent generally is now low; in Paris it is two and a half to three per cent.; in Holland it is the same; in Hamburg it is the same; but notwithstanding the low price in the different states of Europe, foreigners are not tempted to send it here by the high rates of interest.

594. Do you mean to say that capital does not flow freely from one country to another according to the demand that exists for it?—It is notorious that foreign capital has not found its way to this country since the repeal of the usury law.

595. How is that known?—That is known by the circulation and by the exchanges.

596. May not more capital be withdrawn from other sources into the discount market at one time than at another?—If by the alteration of the usury laws the interest becomes higher, money may be diverted from mortgages and other sources and applied to discounts, but you have only the same quantity of capital to deal with.

597. Do you mean to say that the quantity of disposable capital in this country is stationary and is not liable to vary, not liable to be diminished by capital being exported to other countries, or to be increased by capital being imported from other countries?—What the case prospectively may be is another thing, but the effect has been not to cause new capital to flow into the country; therefore the alteration has told in favor of the capitalist.

598. Has not a great deal of capital gone out of the country since the law was altered in the last three years?—Within the last eighteen months or two years, it appears to me, looking at our political relations with different parts of the world, that, however tempting French stock may have been for capitalists to invest in, or however tempting American securities may have been, it has not been a question of rate of interest, but a question of security, and, therefore, I should say, that for the last eighteen months or two years very little money has been sent out of the country.

599. Do not you think the unsteadiness of the commercial state of things in this country may have kept the foreign capitalist from advancing money here?—I do not believe that has had much to do with it.

600. Is not your meaning this, that, practically, the banker in London does not send his money over to France, nor does the banker in Paris send his money over to be employed in London, at every variation of the price of interest, and, therefore, there is not that immediate circulation of capital, corresponding at all times with the different rates of interest in different countries, which is supposed; but, in point of fact, that part of the capital which is employed in discounting the commercial paper of the country is confined to the country where it exists?—I think so.

601. You think, then, that the investment of money by bankers in other securities than bills is not affected by the rate of interest they can procure from such investment?—I think all prudent bankers—and I am acquainted with several of them—make their investments almost entirely in bills and not in other securities. In fact, the banker with whom I bank, if I was aware that his disposable balances were locked up in other securities but available ones, I should have rather an indifferent opinion of his system of doing business, for when a storm came the consequences might be serious.

602. Are there not other classes of persons besides bankers who discount bills, more or less, at different times?—Yes, there are; but the principal discounters of bills are bankers and bill-brokers.

603 Can you state in what proportion?—It is a small proportion, but I have not any statistical calculation that I can give to the committee.

604. Would not any person not a banker, who was in the habit of discounting bills, be influenced in the amount he so discounted by the general rate of interest he might obtain from other investments of his capital?—I think there are a very large number of persons who are tempted to discount largely in consequence of the high rate. They squeeze the individuals, but there is no profit commensurate to the rate of interest paid, and they go on borrowing, and at last come to a stand.

605. Is not the amount of capital so advanced by such persons an addition to the whole amount of capital that would otherwise be employed in the discount of bills?—Yes.

606. Then, *pro tanto*, there is a variation in the capital employed in the discount of bills?—Yes.

607. Must not it be capital withdrawn from some other employment?—Yes, but it is still in the country; there is no new money created.

608. That is capital withdrawn from another mode of investment and applied to the discount of bills?—Yes; but you get no new money into the country.

609. Do you consider that the general value of money was limited to five per cent. in the year 1825?—I believe upon stock transactions there was an enormous rate obtained for it—as much as 10, 15, or 20 per cent.

610. In that case, do you consider that discounts of bills could be obtained at five per cent., when upon stock transactions as much as 15 or 20 per cent. could be made?—During that period the Bank of England were extremely profuse in their discounts. The bank opened their coffers, and came forward and put a bold front upon it, and gave facilities to every one. In fact, there was no difficulty in getting money.

611. The question refers to the period prior to the opening of the coffers of the bank.—I cannot define the particular periods, but I know that in 1825, during the great crisis, there was no difficulty in getting money In fact, there has been more difficulty in getting money with the higher rate of interest than there was with the low one.

612. How do you account for there being no difficulty in getting money at five per cent., when, as you have stated, 10 or 15 or 20 per cent. might be ob-

tained?—The bank came forward and supplied every one liberally on bills at five per cent.

613. Does not the difficulty now of obtaining money arise sometimes from the holders of it holding it back under the expectation of getting a higher rate of interest?—There is no doubt of it.

614. In your transactions in cases of insolvency, do you find the estates, generally speaking, much more exhausted under the present state of things than they were formerly?—I beg leave to state that I think your lordships would better obtain information upon that point from some of the official assignees. I have made inquiries, and I have found the most disastrous results. I know one case of a wine merchant who failed for £15,000, and the whole of his assets are £300. It is found that some money-lender has been accommodating him, who has obtained an advantage of 20 or 30 per cent. in interest; whereas, if the party had failed months before, and had not been tempted to go on, there would have been a very fair dividend to his creditors.

615. Are there not many cases of individuals who have been saved and become prosperous afterwards, by the aid of the relaxation of the law?—It is always a difficult point to define what the particular position of certain individuals may be. I know such an opinion is entertained by many of my friends in the city, and it is possible that persons have got facilities, instead of being compelled to sacrifice their property, and have been considerably benefited. Still I believe that under any circumstances those individuals would have obtained those facilities without the repeal of the law. I have here a communication from a mercantile friend in the country on this subject, and with the permission of the committee I will hand it in.

616. Can you state to the committee what the operation of this law has been in Liverpool, or in any other part of the kingdom?—I will read the letter itself. This is in answer to a letter which I wrote upon the subject: "A. considers the partial repeal of these laws to have acted on commerce very prejudicially, to have materially aggravated insolvency, and to have exposed even respectable parties to great exactions. He mentioned a recent case in which a holder of cotton had made a bill payable with B. the banker, and that in order to get it discounted he had to pay them six and two and a half per cent. commission on three months' paper. B. knew it was a case in which he could not apply to his own regular bankers, and therefore he was squeezed accordingly. He also referred to a recent failure of a person of the name of Z., whose estate in two or three years had been entirely consumed by commission and high rates of interest. C., who is well acquainted with banking and all money matters, and who has seen a good deal of the working of the present system, considers it very prejudicial to commerce of a legitimate kind. He knows cases coming under his own eye, where parties of the highest rank in Liverpool are borrowing money at 10, 12½, and 15 per cent., on the security of railway shares; and he told me an instance or two, within fourteen days, of 10 per cent. per annum having been paid for a fortnight, to enable the borrower to purchase some of the smaller shares, on which a considerable advance was anticipated. The D. office has all its capital employed in this way, at above 10 per cent. per annum, and this money is naturally turned from the uses to which it would otherwise have been applied, namely, in supporting commercial operations in the form of a deposit with a banker. E., who strongly advocated the alteration, is now convinced that things would have worked better under the old system, and that the facility of raising money at high rates of interest leads men into wild and reckless speculations. F. is of the same opinion;" and so it goes on.

617. Those are not cases that fall within your own knowledge, but are stated by you merely upon the authority of your correspondent?—Yes.

The witness is directed to withdraw.

Ordered, That this committee be adjourned to Thursday next, two o'clock

DIE JOVIS, 10° *Junii*, 184

The lord president in the chair.

George Warde Norman, esq., is called in and further examined, as follows:

618. Can you state to the committee what variations the bank has made in their rate of interest on discounts since the alteration of the law with respect to usury?—Not perhaps with perfect accuracy; but I have a memorandum which I think would probably give the committee sufficient information, at least for the last few years. On the 21st of July, 1836, the rate of discount was raised from four to four and a half per cent.; on the 1st of September, 1836, it was raised to five per cent.; on the 15th of February, 1838, it was reduced to four per cent.; on the 16th of May, 1839, it was raised to five per cent.; on the 20th of June it was raised to five and a half per cent.; on the 1st of August it was raised to six per cent.; and on the 1st of January, 1840, it was reduced to five per cent., at which it now remains.

619. Can you state also the different periods when alterations have been made at the bank with respect to the echeance of bills discounted?—Not with perfect accuracy, but I think with tolerable exactness; on the 20th of December, 1821, the limit for the discount of bills was increased from 65 to 95 days, and it continued so till October last year, when it was reduced to 65 days; last week it was again lengthened to 95 days.

620. It appears from your evidence that the bank are in the habit of checking their issues, both by shortening the date of the bills and by advancing the rate of discount; will you state whether they resort simultaneously to both those measures, or with which they in preference begin?—I think that a reference to my last answer will show that those two measures have never been adopted simultaneously, and that the variations respecting the echeance of bills have been rare; in case, as a protective measure on the part of the bank, it should be deemed expedient to adopt one or other of those measures, the circumstances of the time must decide which measure would be considered preferable.

621. Are both those measures used for the purpose stated, of checking the issues of the bank, or is the regulation of the echeance of the bills discounted for other purposes, and upon general principles?—I consider them both protective measures; measures calculated to render the issues of the bank less than they would be otherwise at the period when contraction is necessary, and having, generally speaking, the same result.

622. Do not you think that it is important for the circulation and commerce of the country that a great institution like the Bank of England should act with as much uniformity as possible, and that they should not be discounting one description of bills at one time which they refuse to discount at another; that, unless some considerable and important reason occurs for alteration, uniformity in the management of an institution like the bank is very desirable?—I think it undoubtedly desirable that as great uniformity should be maintained with respect to the measures and management of the bank as possible; but I consider it quite impossible for the bank, consistently with its duty to the country as manager of the circulation, to maintain absolute uniformity with respect to such measures as the echeance of bills or the rate of discount.

623. Are you aware that up to a late period that uniformity both as to the echeance of bills and as to the rate of discounts has always been preserved by the bank?—I believe that no change had taken place for many years, up to about 1822 or 1823, when the echeance was lengthened, but for how many years that uniformity had existed I am not able to say. I apprehend that had the usury laws existed during the war, and the bank at the same time had been legally bound to pay in gold, it would have been placed in extreme difficulty, because I believe that the market rate of interest was really for considerable periods together above five per cent., and that a strong tendency to over-issue, through the medium of discounts, consequently existed.

624. Can you state to the committee what variations have taken place in the amount of commercial discounts at the bank?—I cannot from memory, but I would refer your lordships to the appendix to the report of the committee of the Commons on banks of issue, which contains the most ample information on all such matters.

625. Can you state the circumstances which occasioned the changes in the echeance of the bills discounted?—I believe that the years 1822 and 1823 were a period of very low prices, and of what was considered commercial distress; the bank had overflowing means at its disposal; and it was on the whole considered desirable to lengthen the echeance of bills as a matter of convenience both to the public and the bank. Last year gold was leaving the country; the stock of treasure was extremely low, and some powerful contractive measure was deemed thoroughly expedient. The bank might have raised the rate of discount, as it had done in the previous year, but upon the whole it was thought best to try the effect of limiting the echeance instead, both of those measures producing nearly the same result; the alteration that took place last week, I presume, was made because it was considered that the lengthening the echeance might afford an accommodation to commerce, and that the bank could safely grant the additional facility.

626. Then in fact those alterations in the echeance have been merely made with a view of either contracting or expanding the issues of the bank?—With a view mainly either to the protection of the bank or to give facilities generally to commerce; because I should not say that at the present time the bank would consider any marked increase of its issues expedient.

627. Are not the means of private bankers discounting, or of banks in the country discounting for their customers, very much affected and altered by the alterations which take place in the Bank of England; when there is a scarcity or an abundance in the Bank of England, does not it react upon the different private institutions lending money?—I think there are other witnesses who have been examined before this committee, and who could give a better answer to that question than I can do; my answer must in some degree be a general one; I have had little practical knowledge on the subject, but I should say that bankers in the country, either as borrowers or lenders, operate on the money market of London. The measures of the bank have also a leading influence, temporarily at least, upon the money market; and therefore in that way the measures of the bank doubtless affect the operations of the country bankers.

628. So that when those alterations are made by the Bank of England, it affects all the parties engaged in the business of money-lending throughout the country?—The measures of the bank must have that tendency, more or less; under certain circumstances I can conceive that they would have very little or no influence, and that under other circumstances, and temporarily, they would have a very powerful influence; speaking generally, I am of opinion that the rate of interest depends on natural causes, and that the measures of the bank, taking long periods together, have no effect whatever upon it.

629. When you make an alteration in London, either with respect to the amount of interest or the echeance of bills, is the same alteration made at your branches in the country?—Yes, universally; except with respect to those private bankers who have what are called circulation accounts.

630. When the bank think that contraction has become necessary for their safety, to what securities have they first recourse?—When contraction becomes necessary, the bank usually sell their securities, taking those which are most salable first—usually exchequer bills.

631. Do they sell their public securities before they begin to reduce their accommodation to the merchants?—I think in all cases they have done so.

632. Generally when the bank may be said to be in an average state, do they discount all the good paper that is presented, or are they obliged to reject much

of it?—The bank usually discounts nearly all the good paper that is sent to them; for many years the discounts of the bank on an average, and in ordinary times, have not been considerable, the bank rate of discount having been almost always above the market rate.

633. Has that been systematically done?—It has been thought inexpedient on the part of the bank to enter upon a career of competition with private money dealers: the circumstance of the bank being the great issuing body, and having cast upon it certain special duties, has led to this result.

634. Has the bank rate of interest been above the market rate of interest at the periods when they have advanced their rate of discount?—I think not.

635. When you talk of the "market rate of interest," are you speaking merely of the market rate of interest for the discount of commercial bills?—The phrase "market rate of interest" is of course very vague, because at any one period the rate of interest will vary according to the different nature of the security offered; when I speak of the market rate of interest with reference to the bank, I look to the rate at which bills, such as those discounted by the bank, could be discounted in the market, and the rate of interest on analogous securities.

636. As the rate of interest on mortgages has been for many years not above four per cent.; as the three per cents have been about 90, and as exchequer bills have been paying at the rate of from two and three-quarters to three and a half per cent., can it be said that the market rate of interest has been at any time above five per cent., otherwise than for the discount of commercial paper?—Doubtless on those several securities the market rate of interest for many years has not been above five per cent.; I think that my previous answer sufficiently explains that; I do not, in speaking of the market rate of interest, refer to securities of that kind, and I would beg leave to observe that the rate of interest in what is technically called the money market has for short periods hardly any connexion with the rate of interest on mortgages, and comparatively little to do with the rate of interest obtained for money in the funds. In these several instances almost distinct classes of borrowers and lenders are brought into play.

637. Therefore the market rate of interest described by you is confined to discountable commercial paper?—Not simply to discountable commercial paper, but to the money employed in various ways by a class of persons who may be called money dealers, such as bankers, merchants, to a certain degree, bill-brokers, stock-brokers, and so on; there is the rate of interest for short periods, which is given upon the deposit of stock; I should say that the lending and borrowing on stock was an operation belonging to the money market, as I understand it.

638. To use a general expression, then, it is confined to the general mercantile accommodation?—It comprehends mercantile and banking accommodation, taken in a wide sense.

639. If the Bank of England could, with safety, discount all the commercial paper of fair credit that is presented to it, within the old rate of interest, at five per cent., would not that obviate the necessity of these higher rates of interest which the law has lately empowered people to charge?—If such were the case the bank would never have a proper motive for raising its rate above five per cent.; but I do not think the assumption allowable.

640. Do you not consider that the Bank of England might, by proper regulation, be enabled, either by some alteration of its assets or by holding a larger disposable capital, so to discount all the good commercial paper as to prevent great fluctuations in the value of the interest of money?—I do not think it possible, by any improved system of management on the part of the bank, or by any alteration in its constitution or in its mode of operation, to effect the object which the question assumes. It seems to me that you can no more fix the rate of interest than you can fix the price of commodities; that both the rate of interest and the price of commodities depend upon natural causes; that you may produce disturbance in them by attempting to regulate them through the me-

dium of the law, but that all attempts at interference, speaking generally, fail in their object and do mischief.

641. Are you not aware that for many years the Bank of England did, in fact, afford at five per cent. the whole amount of commercial discounts required upon proper paper?—I am quite aware that the bank continued to discount for very many years at five per cent., but I am not able to say whether the bank then discounted all the good paper offered; what happened during the restriction acts cannot afford a safe example for our guidance now.

642. Where the Bank of England have exceeded five per cent. interest since the alteration of the laws, are you aware that that has given rise, out of doors, not to a fluctuation merely of half or one per cent. in the interest, but to an increase of the interest to 10 or 15 per cent., and in cases of needy persons to a much higher rate of interest?—I have no particular knowledge on these points.

643. Do you not consider that a steady and moderate rate of interest, or, in other words, price paid for capital, is of great importance in a commercial country like this?—I think I have stated in a former answer that, in my opinion, it is highly desirable that the rate of interest should be as steady as possible, and that an abstinence from legal interference would afford the best means of attaining that result

644. Are you aware that in France, Holland, Germany, and most parts of the continent, the interest has been kept steady, and much below the interest of money in this country?—I have no particular knowledge of the rate of interest on the continent; I am aware that the Bank of France has discounted at the same rate for a considerable number of years, though it has varied the echeance of bills discounted; I believe that at Hamburg, where there are probably very few disturbing causes, the variations in the rate of interest are immense.

645. Have they not generally been lower than in this country?—I cannot say; I am not in business, and have no particular information upon that subject.

646. Can you state to the committee how, in your opinion, it comes to pass that the Bank of France has been able to keep a low steady rate of interest in France, and for the benefit of French trade and French manufactures, and that the Bank of England should have found such difficulties?—I consider the differences in matters of that kind between England and France to be enormous; France is not a country of great speculation; its currency may be considered practically as metallic; it carries on a comparatively trifling foreign trade, and is therefore acted upon very little by disturbing influences arising from other countries. England is a country with a mixed currency, and numerous conflicting issuers of money, as I humbly submit, very ill regulated; it has an enormous commerce, and the habit of speculation, and is acted upon by disturbing influences arising in all parts of the world; therefore a line of conduct may be maintained by the Bank of France which I think cannot be maintained by the Bank of England.

647. Do you happen to know what is the capital of the Bank of France?—It is very small; I believe about 70 millions of francs.

648. Do you know how much of that is at their disposal to operate with?—I do not know, but believe only a small portion of the capital; the Bank of France has been placed in very favorable circumstances for some years, owing to the enormous government deposits it has held; I consider it to be an institution wisely and prudently managed.

649. With reference to the large amount of interest which persons sometimes pay under the present system, will you state whether, in your opinion, the difficulties to which such persons were necessarily subjected under the former system were or were not far more expensive to them than the increase of interest which they are liable to pay under the present?—My opinion is that many persons who feel it a great grievance to have been obliged to pay six or seven, or eight per cent. for the discount of bills, or for accommodation in other ways,

had not the law permitted them openly to give those rates, would probably have been obliged to make much greater sacrifices, either by forced sales of goods or by obtaining accommodation through the means of evasions of the law, in which case something additional must have been paid in order to compensate the lender for the risk he ran. In illustration of this answer, I would observe that an increase of the rate of interest, say of two per cent., only amounts to half per cent. for three months. Now a loss of half per cent. would be considered perfectly trifling in the case of a sale of goods, hardly worth consideration, though doubtless there are many persons who consider the half per cent. they may have paid in additional interest a very serious sacrifice.

650. Do not the fluctuations in the sale of goods of every description in the ordinary course of commerce very frequently amount to twenty or thirty per cent.?—The prices of goods, doubtless, vary greatly, and seldom remain at the same point for any considerable period together.

651. So that the facility is almost inestimable to any trader of being able to reserve the sale of his goods till that period which he would himself deem the most advantageous?—It seems to me highly desirable for traders that the law should impose no limit upon the rate which they may be willing to pay for loans of money, consulting only their own convenience.

652. But if the bank were to put itself in a situation of discounting all the fair paper offered to it at five per cent., then there would be no cause for any of those fluctuations?—I conceive it quite impossible that the bank should put itself in such a position; supposing that the rate of interest, from natural causes, say from loans on the part of government, should rise to above five per cent., of course profit would be obtained upon every sum loaned by the bank at five per cent. Under that state of things the currency would be kept perpetually above its proper amount; a drain of treasure would take place, and the bank would be compelled either to stop payment, or to resort to a rejection of the paper sent in *en masse*, or to adopt some irregular restrictive means.

653. Though that state of things might exist in time of war, when the government were making large loans, is there any reason why it should exist in time of peace, when no such demands are made by the government?—I think circumstances may occur, as I believe they did occur recently, when the bank could not safely confine its rate of discount to five per cent.

654. Inasmuch as five per cent. being much lower than the market rate, they would have been called upon still more widely to extend their discounts?—Yes; speaking generally, I believe that circumstances may occur, even in time of peace, when, if the discount office were opened at the rate of five per cent., and the bank took all the paper offered to it coming within its rules, the result would be, that the issues of the bank would be unduly extended, and the public suffer in consequence.

655. Do you suppose that would be the case if you had more commandable capital; if part of your capital was not locked up in annuities, and part in loans upon mortgage of land; but if a larger portion of your capital were devoted to discounting the commercial paper of the country, would there not, unless in very extraordinary times, be sufficient to meet all the good discountable paper?—I do not think that any variation in the amount of its capital, or its mode of employing it, would enable the bank at all times to discount at the same rate, or to refrain from raising the rate beyond a given amount, say five per cent.

656. Would it be possible to fix any other limit beyond five per cent. that would comprise all the fluctuations in the market?—I think not; I think that any limitation would either be useless or pernicious; you might fix 10 per cent., but I have not the least idea that the bank would ever have occasion to raise its rate of discount to 10 per cent; therefore such a limitation would be absolutely useless so far as the bank is concerned.

657. Do not you think that the circumstance of establishing a maximum rate

might lead probably to that maximum being adopted as the ordinary rate?—It seems to me that the interest of money, like the price of goods, lies beyond the sphere of legislation; I do not think it possible to fix the rate of interest any more than you can fix the price of goods.

658. Is it not the fact that it had been kept within the sphere of legislation before the alteration of the law?—It has so happened that five per cent., which was the legal rate, has been usually beyond the market rate upon anything like good security for many years; therefore, ordinarily speaking, the law was a mere nullity: but, supposing the law had fixed a rate of interest below the market rate, so that the law had become really operative, I am sure the evil and confusion would have been so enormous that it never could have been maintained for six months; it would have been, in fact, universally disregarded, as was the case to a very great extent during the war, when bankers and merchants resorted to all sorts of expedients to evade the law; now and then an unlucky person was laid hold of by the courts of justice, but often juries would not find verdicts.

659. Do you suppose that the risk thus incurred of being laid hold of by the law had the effect of causing a still greater rate of interest to be paid than the market value of interest at the moment?—I have no doubt that wherever the mutual interest of the borrower and lender makes them agree that a rate of interest shall be paid for accommodation higher than that which the law allows, so that a certain risk is incurred by the lender, the lender is compensated by receiving a still higher rate than he would have been contented with had the law not interposed.

660. Did not that state of things also lead to a great deal of money being borrowed by means so clandestine that it would be impossible to estimate the amount of money borrowed beyond the legal rate of interest?—Certainly, if I understand the question.

661. When you speak of those evasive transactions by which a higher rate of interest was incurred than the law allowed, did they amount to any considerable proportion upon the general mass of business, or were not nine-tenths, or 99 out of 100, of the transactions of commerce, conducted under the limitation of five per cent. interest?—I have a very imperfect recollection of what took place during the war, but I believe that a very large mass of transactions, in the provinces especially, took place, in which a rate of interest really higher than five per cent. was paid.

662. Supposing a restriction to the amount of 10 per cent. was put upon the receipt of interest, which would clearly cover all the fluctuations that have taken place within the last 10 years, would not that have a tendency to check dealings in money where much heavier rates of interest are asked?—Of course such a law would be nugatory as to all transactions where in the natural state of things a higher rate than 10 per cent. would not be demanded, and I think it would be prejudicial to the borrower in transactions where, from their peculiar circumstances, more than 10 per cent. might fairly be demanded and given.

663. Would it not have the effect of driving many persons to raise money by annuities, who now raise money under the present system at 10 or 12 per cent.? I can easily conceive circumstances under which it would be worth a man's while to borrow money at 12 or 15 per cent., and where, from the peculiar nature of the security, he might have it in his power to offer something above, 10 per cent. would be the fair rate. Then if the law says that he shall only give 10 per cent., he must either go without the accommodation, or he must resort to illegal means to obtain it, and pay an extra charge to protect the lender.

664. Supposing he was obliged to go without the accommodation, the result of that would be that he would become bankrupt, or he would be obliged to sell his goods to a disadvantage?—One can hardly tell what the alternative

might be; I assume that it would be to his interest to pay more than 10 per cent., say 12 per cent., and then the result of the law preventing him from obtaining this accommodation at 12 per cent. would be, that he would incur in some other way a greater loss.

665. Would not those be better circumstances than he would be placed in, by continuing to borrow money at a rate so much above the market rate of interest?—I do not see how I can answer that question, because in order to give an opinion upon it one must have a complete set of facts; I cannot answer the question generally.

666. In a previous part of your examination you were referred to the usage of the Bank of England in former times, when no good paper was refused at the rate of five per cent.; do you conceive it possible for the Bank of England to adhere to the principle of refusing no good paper, meaning by "good paper" paper representing *bona fide* mercantile transactions?—I do not consider it possible that the Bank of England by any system of management could discount, without interfering with its other duties, all the paper that might be offered to it. I consider it eminently desirable, that when the Bank of England finds it expedient either to increase or diminish the quantity of commercial bills it may hold, it should act upon some general principle, as that of either raising or lowering the rate of discount, or of shortening or lengthening the echeance of bills discounted. If such means of acting generally were taken from it, it would be compelled to adopt more irregular means, such for instance as saying, "We will furnish to-day only a certain amount of discounts whatever may be the demand, making the best selection we can amongst the bills sent in, and rejecting the rest." I am perfectly convinced that some means of limitation the bank must have, and that a general measure is by far the best.

667. Do you think it would be right on the part of the Bank of England, when the value of money in the market generally was subject to considerable fluctuations, to adhere in their own transactions to one invariable rate of discount? I think that an attempt to adhere invariably to the same rate of discount on the part of the Bank of England would violate every rule of good management.

668. Was not that attempt constantly made, and constantly carried into effect, until the alteration made by Parliament in the usury laws?—Of course the bank could not charge more than five per cent. before the law was altered, and for many years it charged only four. But I conceive that the effect of the law as it formerly stood upon the operations of the bank during the war was highly pernicious; that especially during the latter part of it, the bank considerably over-issued, and that those over-issues took place mainly through the discount office. There was a time during the war when the bank had £20,000,000 under discount at once.

669. But, at the same time, is it not true that under all the difficulties of the long war, and all the difficulties which the circulation had to encounter, the trade of the country was never exposed to the high rates of commercial discount to which it has been exposed since the alteration of the law?—During the war doubtless those mercantile men in London who had paper coming within the bank rules, that is to say, which had two good securities on it, and not more than 65 days to run, might obtain accommodation at five per cent. through the medium of the discount office of the bank. But I conceive that, during the period in question, those who did not possess securities falling within the rules of the discount office of the bank must often have paid very highly in one way or another for loans of money; in fact far beyond five per cent.

670. Do you conceive that the practice pending the bank restriction can afford any safe analogy by which to judge of the principles upon which the bank can proceed when it is bound to pay the bullion on demand?—No, I think not, without great allowances.

671. In the appendix to the report of the committee of the House of Commons

there is a paper delivered in by the bank, which show at one period, on the 28th of May, 1833, the discount of bills as low as £960,000, and at another period, on the 25th of April, 1837, as high as £10,800,000; do not you consider that fluctuations to that extent in the amount of bank capital, applied to the discount of commercial paper, must of themselves produce great revolutions in the amount of capital usable for commercial purposes?—I do not see that they will produce that effect.

672. Are not the fluctuations in the history of money mainly derived from the changes which take place in the conduct of the Bank of England?—I think not. Under particular circumstances, the Bank of England for short periods may influence the rate of interest, but for long periods I consider that the Bank of England has no influence whatever.

673. If, for instance, the Bank of England should have £10,000,000 or £11,000,000 out in commercial discounts, and should, from motives of prudence, or from any other cause, find it necessary rapidly to draw it in, does not that immediately produce a scarcity of money in the market?—Such a state of things never has occurred, and I think hardly could occur; therefore I am hardly able to say what might happen under such circumstances.

674. Without imputing any such intention to the bank, supposing the bank to produce a scarcity by lessening its accommodation to the public, or lessening its accommodation to the government, has it not an interest in raising the interest of money, and has it not the power to raise that interest of money for the purpose of employing its capital?—Speaking generally, of course the profits of the bank are increased by a high rate of interest; and for a short period I think that the bank might have it in its power to keep the rate of interest higher than it otherwise would be; but I do not think the bank could influence the rate of interest for any considerable period.

675. In the event supposed by the last question, could it act in any other way than by lessening the number of its transactions; and if it lessened the number of its transactions would it not in so far sustain a loss which would have to be set against the increased profit derived from the increased rate of interest?—Doubtless, so far as the transactions were diminished.

676. Referring to the figures that are contained in the House of Commons report, ought not the committee to take other elements into account besides the amount of discounts of the Bank of England, in order to ascertain the amount of commercial accommodation given in the shape of discounts to the commercial world?—I would say, generally, that the amount of bills discounted by the Bank of England bears a very insignificant proportion to the amount of bills discounted generally by bankers, bill-brokers and others; and the variations in the amount discounted by the bank do not at all imply that a greater number of persons receive accommodation on the one hand, or a less number on the other, but mainly indicate the difference between the rate of discount charged by the bank and the market rate of interest out of doors.

677. Supposing the Bank of England to be discounting above the market rate, and that the amount of their discount be assumed at £3,000,000, taking an imaginary sum, and that the private discounts may be taken at £6,000,000, making a total of £9,000,000, is it not possible that under another state of things, the Bank of England, discounting below the market rate, and not above it, might reverse those figures, showing a discount of £6,000,000 on the part of the Bank of England, and £3,000,000 on the part of the private bankers, but showing, on both sides of the equation, the sum of £9,000,000 applied to commercial discounts?—Taking the figures as merely stated for the purpose of illustration, I think so.

678. You are aware that the circumstance of the Bank of England occasionally throwing their exchequer bills into the market produces frequently great distress

to the treasury?—I am not sufficiently acquainted with the facts to answer that question satisfactorily.

The witness is directed to withdraw.

Mr. George John Graham is called in and examined, as follows:

679. You are an official assignee connected with the court of bankruptcy?—I am.

680. Can you, from your experience in that capacity, state to the committee what has been the effect of the relaxation of the usury laws for some years past, either in hastening or retarding acts of bankruptcy, and as affecting the interests of bankrupts in general?—I can give no evidence as to any effect that it has had in hastening or retarding acts of bankruptcy; I think that the effect of the alteration has been to raise the rate of interest of money to those parties who afterwards become bankrupts.

681. That is to say, to the most needy persons?—To the most needy persons; it is very common now for bankrupts to come before me, and say that they have paid six, seven, eight, nine, ten, or twelve per cent. for money, and some of them have even paid as much as 40; one, I believe, had paid 60 per cent.

682. Do you not conceive that to have been in exact proportion to the degree of credit that they may have enjoyed?—Yes, I should suppose it was.

683. Do you not believe that many persons may have been prevented from becoming bankrupts by deriving assistance from that source, and who have been able subsequently to meet the demands upon them?—I should think they might; but I cannot give any evidence on that point but my opinion; I know no cases.

684. You mean that those cases do not regularly come before you, in consequence of those persons not becoming bankrupts at all?—Yes.

685. But of those that have become bankrupts, and have fallen under your observation, you say that a great many have alleged that they have paid a very high rate of interest; but did they allege also that their having been obliged to pay a high rate of interest has been in any degree the cause of their bankruptcy?—No, in no case.

686. You were understood to state that they have paid a much greater rate of interest under the present law than they did before the relaxation took place; that is the fact, is it?—That is the fact; the rate of interest, of course, could not be more than five per cent. before; now they pay much more as interest; but I should imagine that the various contrivances for evading the law would have cost them much more before the relaxation; but I cannot give any specific evidence upon this question.

687. So that in an indirect way they would, under the former state of the law, have paid considerably more for the purpose of protracting the period of their bankruptcy than the difference between the legal rate of interest and the rate of interest at which they have now raised money?—I should imagine that they would.

688. But you do not know it, in point of fact?—No.

689. But you do not think a person that has paid 40 per cent. under the new law could have got money at five per cent. under the old law?—Certainly not.

690. Has the effect of that relaxation been to waste the property of the bankrupts more than it was customary that it should be wasted under the old law?—I cannot give any evidence of that fact, but in my opinion it has not, at least not in a perceptible degree.

691. Before the change of the law took place were you in the situation of official assignee of bankrupts?—Yes.

692. For how many years before that?—I forget when the alteration in the law took place, but I have been in the situation of official assignee ever since 1832.

693. The alteration took place in the year 1833, so that you were official assignee only one year before the alteration?—I was, only one year.

694. Do you think that the estates of bankrupts coming under your superin-

tendence and management are more exhausted in consequence of the high rate of interest which they now pay than they were under the former system?—They had many contrivances for getting money before the law was altered, but those contrivances were of a cumbrous nature; and now they can get money upon bills by means which are not so cumbrous; so that I should say that very likely they are somewhat more exhausted now than they were before.

695. Then, in point of fact, the bankrupt goes on longer before he calls his creditors together, and consequently when he does call them together his estate is more exhausted?—I should say so, in a slight degree, but it is very difficult to test it; I speak from general impression.

696. But the difference is not sufficiently considerable for you to say that it has had a decided influence upon the estates of bankrupts?—Certainly not.

697. Have you perceived from any other causes any variations in the amount of the property of bankrupts of late years, as compared with former periods?—No, I have not.

698. You think it has been upon the whole the same general average?—I think it has been about the same general average.

699. Have you been the assignee in the case of Hamlet's bankruptcy?—I have not.

700. You now pass in the bankrupt's account any amount of interest?—Any amount of interest.

701. Upon whatever species of security it is?—No; because, if a man, in addition to the security of a bill, takes for instance a policy of insurance, that takes the case out of the protection of the law.

702. In the case of a mere book debt, and an agreement that a given amount of interest shall be chargeable in the account, do you admit that?—If the agreement is in writing, or if the agreement can be established.

703. Are there cases of that description?—There are.

704. Agreements that certain accounts shall be subject to a given amount of interest?—Yes; for instance, I remember I had a coach-lace maker, who had got agreements with certain parties that he was to allow them three years' credit, and then was to take bills for the amount.

705. Have any cases come under your observation in which persons undertaking any adventure have been furnished with capital for the adventure by capitalists at a high rate of interest, with a view to participating in the adventure without coming under the partnership laws?—No; I think I have not had a case of that kind.

706. Taking into consideration the whole of your experience in this matter, should you say that the alteration in the law had been beneficial or otherwise to the class of traders that come under your observation?—Taking this class to include those who become bankrupts and those who do not, I should say that it had been very beneficial; and that it would be still more beneficial if the usury laws were absolutely abolished.

707. Do the gentlemen who act in the same duty of official assignees ever communicate together as a body?—Sometimes, but very rarely.

708. Can you state to the committee what the general opinion of those gentlemen is upon this subject?—I cannot.

709. You cannot state whether they think favorably or otherwise of the present law?—I cannot. The subject has never been brought before us as a body.

710. When you say you think that it would be of advantage if the usury laws were entirely done away with, do you mean upon all kinds of security, landed as well as other?—Yes.

711. You cannot state to the committee that you have ever observed any ill effect from the relaxation of the usury laws?—No, I cannot. The relaxation of the usury laws has enabled persons to bring the matter clearly before the

court of bankruptcy; that so much was the net sum received, and that 40 per cent., for example, was the interest charged; and it has appeared a great hardship that persons should pay 40 or 30, or even 12 or 10 per cent.; but I should think that they would have had to pay much more before the laws were relaxed.

712. That is to say, you have no doubt that a person who is now paying 40 per cent. under the present law would have had to pay an equal, or perhaps a greater, rate of interest under the old law?—Yes; under other names.

713. And as you said before that persons under the old law had to raise money by cumbrous means, probably those means would be more expensive than the direct means which they can now resort to?—Yes; but I think that being more cumbrous, they would not be used quite so often.

714. You think that, in preference to using those means, a person wanting money would be more likely to part with his goods?—Yes.

715. Which might be to him a greater loss than raising money at a high rate of interest?—I was including among the cumbrous means the parting with his goods.

716. But supposing a man in trade not to be able to obtain money at five per cent. interest; what other means or resource can he have than that of parting with his goods, if he does not have recourse to some circuitous and evasive mode of raising money?—None other, I should think.

717. And that means may be more expensive to him than the rate of interest at which he now gets money?—Much more.

718. Might not a person, under such circumstances, have recourse to the means of raising money by annuities coupled with insurances?—Yes.

719. Would not that have been a more expensive as well as a more cumbrous means of obtaining money in many cases than to obtain it upon discounts of bills, although a large sum, say 10 per cent., may be charged for interest?—Yes; I should think it would.

720. Had you formerly as many cases of estates wasted by raising money upon annuities and insurances as you have now by raising money at great interest under the relaxation of the law?—I should say that the evil effects of obtaining money at a high rate of interest are perceived in more cases, but are not to such a great extent in each of those in which they are perceived.

721. Does not that necessarily result from the fact that the high rate of interest now is a legal transaction, which is visible, and upon which legal proceedings could be taken; whereas the usurious proceedings previously, being illegal transactions, were concealed from the public?—Yes, I think it does.

722. When you spoke of the cumbrous means to which persons formerly resorted, did you mean to include illegal transactions?—I meant to include all those transactions by which persons endeavored, and perhaps successfully, to give a legal coloring to the taking illegal interest by any circuitous route.

723. But which they did not probably themselves consider illegal?—Which in many cases were not illegal.

724. When any bankrupt cases have been brought before the bankrupt court, has the court made any observations either in reprobation or approval of the transactions of borrowing money at a high rate of interest?—Sir Charles Frederick Williams, who is the commissioner of the court to which I am attached, has often lamented, when such instances have appeared before him, the ruinous rate of interest that persons have been paying; but he has also said, that it was quite clear that the reason for the high rate of interest was the man's distressed state, and that it was equally clear that the parties who lent him the money at a high rate of interest had not made a good calculation, as was apparent from their not being paid.

725. Is it not a low class of persons that prey upon the necessities of persons of that description?—Yes, I should say it is a disreputable class of persons.

726. But you conceive that the transactions of that class of persons are not generally injurious to the interest of the parties?—I should say that it was a disreputable class of men that lend money at 40 or 30 per cent.; but I do not think it is always a disreputable class of men who lend money at 8 or 10 per cent., and under, for short periods.

727. Where should you fix the boundary between the reputable and disreputable?—I do not know.

728. You consider that there are persons of character who will, up to 10 or 12 per cent., lend money at interest, but that it is a disreputable class of persons that go up to 20 or 30?—Yes; that go up to 40 certainly.

729. But to whatever class of persons the individual lender might belong, would it not be for the interest of the party to pay 15 or even 20 per cent. to that lender, rather than sell his stock at a depreciation of 40 per cent.?—Yes, undoubtedly.

730. Would the borrower wanting accommodation apply to the disreputable class if he could get money from the more reputable?—Certainly not.

731. In most cases where he would have recourse to that very high rate of interest, would he not be doing a more honest thing to call his creditors together, and distribute his assets among them?—A much more honest thing, in many cases.

732. Generally speaking, are not persons borrowing at those high rates in a situation in which they should not, in point of fact, be going on at all?—The cases that come before me are the cases of men that fail; and those men have gone on borrowing money when it would have been much more honest, and much better, if they had come before their creditors and given up what they had; but I think that many persons in the city of London borrow money occasionally at seven, eight or nine per cent. for short periods, and it answers very well in their cases; it may be prudent to pay any percentage in order to prevent a greater loss.

733. Have you any doubt that in so borrowing money for a short time at a high rate of interest, they have best served the interests of their creditors, if they have ultimately been able to continue their trade subsequently?—Most certainly they have.

734. Do you happen to know any instances of persons being enabled to continue their trade in consequence of the accommodation they have got from that class of lenders that you call "disreputable," when they were driven to the necessity of resorting to that class of lenders?—They have been enabled to carry on their trade for some little time.

735. Not to recover themselves?—Not to recover themselves; the cases that come before me are cases in which men have not recovered; I cannot know anything of the cases in which men have recovered.

736. Have you any means of speaking from experience of what occurred in the court of bankruptcy with respect to the assets of bankrupts prior to your appointment to the situation of official assignee?—Yes, from about 200 cases that I have examined of commissions issued from 1782 downwards, which were not closed at the time of my appointment, and were referred to me.

737. What is the average number of cases that come before you in the course of a year?—I think about 30; I think last year it was 35 that came before me individually.

738. Can you state from your observation generally for what length of period those bankrupts have paid those high rates of interest in the cases that have come before you?—Those who have paid 40 per cent. interest, or rather have promised to pay 40 per cent., have not paid it for long, if at all. I remember one case in which three men had been connected together, and had been raising money at 40 per cent.; one of them was afterwards a bankrupt, that is with me, for all three were bankrupts; they jointly raised about £25,000 or £30,000 at

40 per cent.; in this case I think they had paid 40 per cent. for eight or nine months.

739. Upon what sort of security was that £25,000 or £30,000 raised?—Part of it was raised upon their bills.

740. The greater part?—The greater part.

741. Which they drew upon each other?—Yes.

742. How long had they continued to pay this rate of interest?—Not more than eight or nine months, certainly.

743. Had you the means of ascertaining whether those bills were drawn as representing real transactions, or whether they were mere bills drawn for the purpose of raising money as accommodation paper?—They were mere bills drawn for the purpose of raising money,

744. Can you state whether those cases of exorbitant interest to which you have alluded occur in a considerable number of the cases that come before you as official assignee, or whether they are rare exceptions?—They are somewhat rare exceptions.

745. You say that those men raised £25,000 or £30,000 in the whole, and that the greater proportion of it was on their own bills; what other securities had they to raise money upon?—One of them had a reversion, and he raised some part of his money upon the security of his reversion.

746. Did he equally pay 40 per cent. for that?—I have not the information here, but speaking from memory I should say that he did not.

747. Do you know the nature of that reversion?—The reversion was an estate for life after the death of his father and mother.

748. That was not an illegal transaction?—He did not here pay 40 per cent.

749. Did he pay more than five?—No, not more.

750. Then how is it a case in point?—I was asked what other securities this person had to raise money upon, and I answered that he had this reversion.

751. Do you happen to know whether the lender in that particular instance suffered any loss?—Yes, great loss; I do not suppose I shall ever pay a dividend.

752. Then that estate, upon which there will be no dividend, had been exhausted by previous payments of large interest?—Yes, it had in part, but the bankrupt's means were never large; he had paid all that he could pay as interest on his bills.

753. Is there any alteration of the law which you could suggest, by which what you call "discreditable practices" under it could be repressed, still leaving a free action to dealings in money?—No, I cannot suggest any restriction that would effect that object.

754. Do you not think it possible that there may be connivance between parties to trump up claims upon an estate by contracts for high interest of money?—Undoubtedly; I doubt not that it is very often done.

755. And claims of that description where the contract could be proved would be admitted?—Yes.

756. What would be the effect, in your opinion, of leaving the law as it now stands; leaving the interest of money perfectly free, but not permitting persons to prove for any interest beyond five per cent., so as to leave it a legal transaction where interest had been paid, but not to allow persons to claim upon any estate or to bring any claim in a court of law for more than five per cent.?—I have never considered it, but it appears to me that that would effect the object, at least in part. I do not immediately see that it would produce any preponderating evil, but I have never considered it before.

757. Do you conceive that lenders in general would be equally disposed to lend under that state of the law?—No, certainly they would not.

758. Then in fact it would narrow the amount of accommodation to that extent?—It would.

759. Are not the persons who obtain accommodation at a high rate of interest exactly the class of persons who would find it most difficult to advance that high interest in the first instance?—Yes. Referring to a remark which fell from one of your Lordships, respecting the invariableness of interest being paid at the time the loan is received, I would observe that it would be best to take the money with one hand and pay the interest with the other.

760. The interest would be deducted in that case from the amount received by the borrower?—It would.

761. Would it not have the effect, in your opinion, of obliging the borrower to take a larger sum at the time, in order to enable him to pay the interest in advance?—No doubt it would.

The witness is directed to withdraw.

Ordered, That this committee be adjourned to Thursday next, 3 o'clock.

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The figures following the names of witnesses refer to the number of the question in the evidence. The words evidence, page, indicate that the evidence is there referred to.

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REPORT FROM THE SELECT COMMITTEE ON THE USURY LAWS.

The select committee appointed to consider of the effects of the laws which regulate or restrain the interest of money, and to report their opinion thereupon to the house, and who were empowered to report the minutes of the evidence taken before them, have, pursuant to the order of the house, examined the matters referred to them, and have agreed upon the following resolutions:

1. *Resolved*, That it is the opinion of this committee that the laws regulating or restraining the rate of interest have been extensively evaded, and have failed of the effect of imposing a maximum on such rate; and that of late years, from the constant excess of the market rate of interest above the rate limited by law, they have added to the expense incurred by borrowers on real security, and that such borrowers have been compelled to resort to the mode of granting annuities on lives, a mode which has been made a cover for obtaining higher interest than the rate limited by law, and has further subjected the borrowers to enormous charges, or forced them to make very disadvantageous sales of their estates.

2. *Resolved*, That it is the opinion of this committee that the construction of such laws, as applicable to the transactions of commerce as at present carried on, have been attended with much uncertainty as to the legality of many transactions of frequent occurrence, and consequently been productive of much embarrassment and litigation.

3. *Resolved*, That it is the opinion of this committee that the present period, when the market rate of interest is below the legal rate, affords an opportunity peculiarly proper for the repeal of the said laws.

MAY 30, 1818.

List of witnesses.

Jovis, 30° die Aprilis, 1818, David Ricardo, esquire, George Frere, esquire.

Veneris, 1° die Maii, 1818, Sir Samuel Romilly, M. P.

Martis, 5° die Maii, 1818, Edward Burtenshaw Sugden, esquire, Mr. Thomas Nowlan.

Mercurii, 6° die Maii, 1818, Mr. Anthony Goodeve, Mr. Rowland Wimburn.

Jovis, 7° die Maii, 1818, Mr. Nehemiah M. Rothschild.

Veneris, 8° die Maii, 1818, Warner Phipps, esquire, Samuel Gurney, esquire.

Mercurii, 13° die Maii, 1818, Mr. James Gibbs, Thomas Kemble, esquire.

Jovis, 14° die Maii, 1818, Richard Preston, esquire, M. P.

Lunæ, 18° die Maii, 1818, Sir Samuel Romilly, M. P., Nicholas Waring.

Mercurii, 20° die Maii, 1818, John Tunno, esquire, Swinton C. Holland, esquire.

Jovis, 21° die Maii, 1818, John Thornton, esquire, Richard Blanshard esquire.

Veneris, 22° die Maii, 1818, Joseph Kaye, esquire, James Weston, esquire, Mr. Edward Wakefield.

Minutes of evidence taken before the select committee on the usury laws.

JOVIS, 30, *die Aprilis*, 1818.

Mr. SERJEANT ONSLOW in the chair.

David Ricardo, esq., called in and examined:

1. Has your attention been called to the laws which restrain the rate of interest?—Yes.

2. Have you that experience to say, or have you perceived, whether those laws are beneficial or otherwise?—I think otherwise.

3. In what respect do you think otherwise?—It appears to me, from the experience which I have had on the stock exchange, that upon almost all occasions they are evaded, and that they are disadvantageous to those only who conscientiously adhere to them.

4. Do you think that repealing those laws would have the effect of raising or lowering the average rate of interest?—I think that the effect would be but trifling; but, if anything, it would tend to lower the rate of interest.

5. When the funds afford a greater rate of interest than five per cent., do not the usury laws injure the commercial part of the world with regard to discounts?—Not only at that time, but at other times, for it often happens that the price of the funds affords a less rate of interest than five per cent. at the same time that the market rate of interest is much above five per cent.

6. But, however, in point of fact, during the late wars, have or have not persons engaged in commerce sustained injuries from the operation of the usury laws?—I should think that they had sustained injuries in consequence of those laws.

7. Have you any doubt of it?—I have no doubt at all, as far as my experience goes, but those injuries have been diminished by the easy means of evading them.

8. Of successfully evading them?—The evasion of the law is the effect of the natural order in which these transactions take place.

9. In what manner evaded?—In the particular market with which I am acquainted, namely, the stock market; they are evaded by means of the difference between the money price and the time price of stock, which enables a person to borrow at a higher rate of interest than five per cent., if possessed of stock, or to lend at a higher rate, if the difference between the money price and the time price affords a higher rate.

10. Has that been acted upon extensively?—Very extensively; it is the usual and constant practice.

11. The difference between the money and the time price is that which is called "continuation," is it not?—Yes.

12. Was there not a trial some time ago as to the legality of "continuation?"—There was.

13. For some time did not that trial diminish the practice very considerably, at least so far as making bargains for buying and selling to the same person?—That trial did diminish such bargains.

14. Will you be kind enough to favor the committee with your opinion with respect to these laws?—As far as my experience goes in business nothing is more easy than to evade them; and after that trial, to which allusion has been made, the same practice was continued by altering the quantity of stock either for money or for time; on all former occasions the same amount of stock was bought for one period that was sold for another period; but some timid men, after that trial, thought they were perfectly safe by making those sums different quantities, although they differed but a trifle in amount; and they thought themselves equally safe in buying stock for money of one person and selling it at the same instant for time to another.

15. Do you think that the supposed or real illegality tends in any degree to increase the rate of that continuation?—The dealing in stock for time is, in many cases, an illegal transaction, and therefore may sometimes have an effect on the continuation. A man possessed of money, purchasing stock for ready money at one price, and selling for a future day at a higher price, may make more than the legal rate of interest by so doing; but, as he may not be actually possessed of stock at the time of making the time bargain, it cannot be considered in any shape as a legal transaction, and he can have no legal remedy against the default of the purchaser.

16. I beg to ask whether I am to understand that, in general, these transactions by continuation are not strictly legal?—In my opinion the greater part of these transactions are not legal.

17. And you are of opinion that that illegality raises the rate at which the borrower obtains the money?—Exactly so; there would be more competition if it was not for that.

18. In this manner you conceive the usury laws indirectly to raise the rate of interest in these transactions by compelling persons to resort to a practice not strictly legal?—Yes.

19. Am I to understand that, in point of fact, by this continuation, nothing is done, but that money is raised at a higher than the legal rate of interest?—The transaction never has that complexion; a man bargains either for the purchase or the sale of stock, for money or time, and the rate of interest is never spoken of; it is the effect of the transaction, but never the avowed object of it.

20. That I understand; but I wish to ask whether, in point of fact, the effect is not simply to obtain the use of money at a higher than the legal rate, though that is not the shape of the transaction?—That is generally the object, but it frequently happens that the difference between the money and the time price of stock may not afford so much as the market rate of interest, and may also be below the legal rate.

21. I am to understand, therefore, that this is a risk which the lender, so to speak, takes upon himself?—There is no risk whatever in it, as far as regards the rate at which the money is lent or borrowed, because it is known at the time what rate of interest the difference between the money and the time prices affords, and because the sum to be received by the lender is thereby defined and settled.

22. Is not that sum, or rather the profit to be derived by the lender, governed by the market rate of interest at that time?—I can only say that I think it is not.

23. How comes it that it is not?—When preparations are making for a loan, large sales of stock are made, of which the seller may not be possessed, but which he may expect to replace by the share he may have in the loan to be contracted for; in such case there may be rather a scarcity than otherwise of ready-money stock in the market; the seller, who is not possessed of stock, will sell it at a small addition of price for time, and sometimes even under the money price.

24. In your opinion can the government loans and other public transactions in the funds be carried on without purchasing and selling stock for time, and will not the difference between the two prices be governed and depend on the market value of money, and not on the legal rate of interest?—The government loans could not, in my opinion, be carried on if time bargains were disused; the difference between the money price and the time price does not always depend, as I have before stated, on the market rate of interest; in general, stock is in abundance, and in that case no inconvenience arises in depositing that as a security for money borrowed; but on some occasions stock exists in a degree of scarcity, and then, although the market rate of interest may be high, it may be inconvenient to the borrower to deposit this particular security; consequently the time price will be either very little above, or even below the money price.

25. I beg to ask if it is within your knowledge, and if it is your opinion, that what you have described as continuation or time bargains embrace any dealings in money at all, or are they not rather speculations between the parties?—In many cases, indeed in most cases, it is a speculation between the parties, but it is constantly had recourse to as a means of borrowing and lending money.

26. In times of difficulty do not the usury laws injure commerce by restricting discounts, and the making of loans to persons engaged in all branches of trade?—**In my opinion they do.**

27. Will you state to the committee if you think that any good effect is derived by the public from the usury laws?—I think no good effect is derived **from those laws.**

28. Are you aware of any inconvenience that would result from the repeal of them?—**None whatever.**

29. Were there not a considerable number of persons who formerly lent money upon continuation who were deterred from doing so by this trial, in which it seemed to be held by the court to be usurious?—The trial which took place was concerning continuation upon scrip receipts, and not on stock. The transactions are similar to each other, but the facility of proof may be different.

30. Those were actions under the usury laws, were they not?—They were.

31. But it was, I believe, one action to recover penalties under the usury laws?—**It was.**

32. You have already said that it did deter many persons from continuing to lend money on continuation?—Yes.

33. By so deterring them, had it not the natural operation to raise the rate of continuation?—I consider that rather as a question of science, which must require a good deal of consideration, because the money may be lent by these parties at the legal rate of interest, and thus it may come to the same borrowers **by a circuitous route.**

34. If you wished yourself to borrow money on continuation, should you not be desirous that there should be in the market a great number of persons disposed to lend upon continuation?—**Most certainly.**

35. For what reason?—Because it is probable the terms might be somewhat lower.

36. Does not the power of selling stock for money, and repurchasing it for time, afford great facility to the holders of stock, by enabling them for temporary purposes to procure money, without foregoing the advantage of repossessing their stock at a distant day?—**Most undoubtedly.**

37. May not this advantage be considerably more than the excessive interest which the transaction may have obliged them to pay?—Without any doubt at all.

38. What effect would the abrogation of the usury laws produce upon the financial operations of the government in time of war; I mean in the negotiation of loans?—It would rather tend to facilitate them. The government is not bound by the usury laws, for in allowing discount for prompt payment for a loan they frequently give considerably more than five per cent.

39. When the legal rate of interest is five per cent., and the government are enabled to borrow at a higher rate of interest, does it not proceed, as a necessary consequence, that they, the government, are enabled to borrow when individuals are not?—Certainly.

40. Does not the government, therefore, obtain in this way a preference in the money market, and thereby obtain a facility in the negotiation of their loans?—If the law was not evaded such would be the effect; but, as I have already observed, it is completely evaded.

41. In the negotiation of loans, have you ever known the laws for restricting interest to be taken into consideration in adjusting the terms?—Never; and frequently, when loans are raised at an interest below the legal rate of interest, the mode in which the discount on prompt payment is calculated affords a rate of interest of sometimes seven, eight, or nine per cent.

42. Do not takers of loans calculate the advantages which result in government stock transactions from the habit of evading the usury laws?—Certainly; if those laws were not evaded the contractor would not be able to give the

minister such good terms. His transactions would be cramped if he were prevented from borrowing at the market rate of interest.

43. What is the criterion by which you judge the market rate of interest, or is there any criterion at all?—I know of no other criterion than the prices of the public securities, and the facility of raising money for short periods.

44. Do you not think that the price of the government securities affords a very good criterion of the market rate of interest?—Not a very good one. Their price is a good deal influenced by speculation, and by the anticipation of political and financial events.

45. I would mean to speak of the average price of these securities, and not of their occasional fluctuations?—I can hardly conceive any times in which these securities are not acted upon by the considerations I have stated.

46. Would you consider the price of exchequer bills as a criterion?—As a better criterion than the price of the funds.

47. Would you not rather consider that discount in the market was a more just criterion than the value of the public funds?—No; because discounts are strictly regulated by the laws of usury.

48. I mean to confine it to discounts when interest is not above the legal rate, and there are cases when discounts are inferior to the legal rate?—When the market rate of interest is below five per cent., then I think that the discount given on a bill is a very good criterion of the market rate of interest.

49. You have already said that money may be raised by borrowing on continuation; does not this give to the holder of stock a greater facility of raising money than other persons possess who are holders of other property?—I should think it does.

50. Are you acquainted with the nature of foreign loans?—I never was engaged in any.

51. You do not know what is the discount of bills, or the mode of raising loans in France, Holland, and Germany?—No, I do not.

52. What are the grounds of your opinion of the principle by which the rate of interest is regulated?—It is regulated by the demand and supply, in the same way as any other commodity; but the demand and supply itself is again regulated by the rate of profit to be made on capital.

53. Do you think there is anything in the nature of money, or of the transactions regarding the borrowing or lending of money, which distinguishes it from other commodities which find their value in the market according to the proportion of demand and supply?—None whatever: the market rate of interest for money depends on the proportion between the borrower and the lender of capital, without reference to the quantity or value of the currency by which the transactions of the country are carried on.

54. Have you, in the course of your transactions, been acquainted with a case in which any disadvantage could have been derived to the borrower by the abrogation of the usury laws?—None whatever: on the contrary, the abrogation of the usury laws would, upon all occasions, have been advantageous, in my opinion, to the borrower.

55. Are you not of opinion also that their abrogation would be equally advantageous to the lender?—I conceive there are cases in which their abrogation would not be quite advantageous to the lender, because he may exact a premium for the risk which the law imposes upon him.

56. But except in so far as he exacts a premium for his risk in breaking the law, you are of opinion he can derive no advantage from the usury laws?—I think all his advantages may be referred to that principle.

57. Do you think that mercantile interests will be injured or served by these restraints of the usury laws upon interest?—I have already given my opinion that they would be much served by the abrogation of these laws.

58. If a person who is possessed of considerable capital in this country, or in

any other country belonging to the United Kingdom, should wish to make the most of his money, and if he is restrained in this country by the usury act, do you not think it would be the means of his transferring his capital to another country, where he would obtain a greater rate of interest, by loan or discount?—Undoubtedly, if the law be not easily evaded.

59. Do you not believe that many have been injured by borrowing money upon annuities at a very high rate, and do you not believe that many have been more injured by these means than if they could have borrowed money at the market rate of interest?—I have no knowledge of any such transactions; but my opinion is very decided, that they have been more injured by having been prevented from borrowing money at the market rate of interest.

George Frere, esq., called in and examined:

60. You are a partner in the house of Forster, Cooke & Frere, of Lincoln's Inn?—Yes.

61. Have you had any experience as to what has been the effect of the laws for restraining the rate of interest upon landed gentlemen during the late wars?—They have had the effect of increasing very much the difficulty of borrowing money on mortgage, and the rate at which it has been possible to borrow it.

62. Has there not been a very great distress among the landed gentlemen, in consequence of not being able to obtain fresh loans of money on landed security, when mortgages have been called in?—Very great indeed: it has been almost impossible to obtain it on mortgage at legal interest.

63. Has or has not the effect been to compel landed gentlemen to raise money upon annuities?—It has, to a great extent.

64. Has it not been the case with gentlemen possessed of estates in fee-simple that they have had recourse to the mode of borrowing money by annuities?—It has been so, in many cases within my observation, but I have not been personally concerned in any.

65. Before the war, I believe your office was one in which many mortgages were prepared?—Yes, it was.

66. Do you know, or not, whether in cases where money has been lent on mortgage, that it has of late been usual to insert a power to sell?—I have known it in many instances.

67. Do you know of any instance of the court of chancery being applied to, to prevent the foreclosure, under the circumstances that have been alluded to?—When application has been made to the court of chancery for a foreclosure, the court has shown great indulgence, on account of the difficulties of the times, and it has been very difficult to obtain a foreclosure.

68. To what extent do you conceive that the legal restraint on the rate of interest has increased the expense of borrowing, under the circumstances which you have described?—I should think that in many cases people have been obliged to borrow at the rate of from nine to twelve per cent., by granting annuities, when, if it had not been for these restrictions, they might have procured money at from six to eight per cent.

69. When you say, "borrow money upon annuities," do you mean upon one life, or upon more lives than one?—My answer applies to both: in cases of life tenancy the security is made for one life only; and in cases of persons possessed of estates in fee-simple, the securities are commonly, as I have understood, made for three lives named by the lender.

70. Are you aware of any other mode, besides that which you have stated of annuities, by which money has been borrowed at a higher rate than the legal interest?—Not upon landed securities; I have seen instances of loans of money upon fraudulent and pretended sales of goods.

71. You know of no other means than you have stated?—I do not recollect any other means.

72. At what rates have such loans been procured?—The loans I speak of, in fraudulent sales of goods, are almost beyond any rate of calculation; they are commonly loans to young men, who throw the goods away as soon as they get them; and as they pay no regard to anything but obtaining the money they want, the same goods are sold over and over again to the same persons. My experience of such transactions has been in subsequent attempts to obtain redress for those who have been duped by them.

73. Is it your opinion that the difficulty of obtaining money upon mortgage, at the regular interest, has prevented, in general, the transfer of landed property?—It certainly renders landed property less desirable, and therefore must have impeded the sales, and reduced the value.

74. Have you known of any loans upon post-obit bonds, such as when a young man passes a bond payable upon the death of a father?—Of course I have heard of such things.

75. I suppose you have known at what rate such bonds have been discounted?—I do not happen to have been acquainted with any dealings in post-obit bonds.

76. Has not the difficulty of borrowing money, and the restriction on the rate of interest, which now exists, injured the improvement of the country, in your opinion?—I am of opinion that it has rendered land less of an exchangeable commodity than it otherwise would have been.

77. I would ask, whether the difficulty of borrowing at the present restricted rate of interest has not prevented the general improvement of the country?—It has caused a great pressure upon the distressed part of the landed proprietors.

78. From the whole of your experience, are you not of opinion that the usury laws tend rather to raise than lower the rate of interest?—What effect they may have upon the general average rate of interest I hardly feel competent to form an opinion; they certainly have increased the rate of interest to those who have been obliged to borrow in difficult times.

79. The borrower usually pays, not only a higher rate of interest for the risk which is run in evading those laws, but also from the discredit thrown upon those who are disposed to lend upon a higher rate than the legal rate?—Certainly.

80. Do you know of any good effect that results to the public from the usury laws?—No; I am not able to point out any, except that when the market rate of interest is about the same as the legal rate (but at no other time, as it seems to me) they may be useful as an easy test of extortion. This last use of them, however, is liable to very great abuse, and they are, perhaps, as often made an instrument of oppression against a fair lender of money, as they are of relief against an extortioner. They are, I should think, less useful now than at former periods, because the courts are of late years more in the habit of closely investigating cases of fraud and extortion, and of deciding each case according to its peculiar circumstances.

81. Are you aware of any inconvenience that would attend the repeal of them?—I think it would render land rather more easily transferable; I think it would be a great private convenience, and I am not aware of any inconvenience.

82. I would ask you, if ever, in the course of your practice, you have been acquainted with any case in which the abrogation of the usury laws would have been attended with disadvantage to the borrower?—None, that I am aware of, but the contrary.

83. I would ask, whether any other means have been had recourse to, to make up the difference between the legal and the market rate of interest, when money has been borrowed on the security of land, besides the having recourse to annuities?—I know of no other. It has been usual to give to the agents for the lender premiums for loans, when it might have been difficult to obtain loans without them.

84. Do you not believe that there are many cases in which both respectable landed proprietors, and mercantile men and others, would find it well worth their while to borrow money at double the present rate of interest, and more? Certainly.

VENERIS, 1° *die Maii*, 1818.

Mr. Serjeant Onslow, in the chair.

Sir Samuel Romilly, a member of the committee, examined:

85. Will you be kind enough to inform the committee, whether it is the course of the court of chancery to refuse a foreclosure on account of the distress of the times?—No, there is no such rule in the court of chancery, and I have known the court refuse applications to enlarge the time for foreclosing an estate founded upon no other grounds than the distress of the times; the court, however, generally enlarges the time for redemption, upon the payment of all the interests and costs, without any reference to the particular state of the times; the court does that two or three times, and sometimes oftener, and though I do not recollect instances myself, I understand that there are instances of the court giving more time on account of the distress of the times: perhaps I ought to state, that although the court of equity will give time before making a decree of foreclosure absolute, yet the creditor may have recourse to all remedies at law, besides insisting on a foreclosure in the court of equity; and a court of equity, in such cases, can give the debtor no relief. I have known instances of a mortgagee filing a bill of foreclosure, bringing an ejectment to get possession of the estate, bringing an action upon the bond or the covenant, and proceeding to take his debtor in execution, and keeping him in execution till he got an absolute foreclosure.

86. Has your experience enabled you to form an opinion as to the operation of the usury laws upon the landed interest?—As far as my experience goes, I should say that the laws against usury are very injurious to the landed interest: the effect of them, I think, is, that when the proprietors of estates are under the necessity of raising money, at times when money is extremely scarce, they are obliged to raise it by the granting of annuities, or in other modes extremely disadvantageous to themselves.

MARTIS, 5° *die Maii*, 1818.

Mr. Serjeant Onslow in the chair.

Edward Burtenshaw Sugden, esq., called in and examined:

87. You have been many years conversant with real property?—I have, for upwards of fifteen years.

88. Very extensively so?—Certainly.

89. Have you had an opportunity of observing the effect of usury laws upon landed property?—I have.

90. Have they been beneficial or otherwise?—They have been decidedly inimical to the interest of the landed proprietor.

91. Be kind enough to inform the committee your sentiments upon the subject.—Every landed proprietor will have money when he wants it, and there are always two rates of interest: one the market rate, and the other the legal rate. If the market rate rises above the legal rate, the landed proprietor must necessarily resort to some shift to evade the usury laws; this is done under the color of granting life annuities. In all such dealings the transaction is in truth a loan; the party advancing the money always fixes upon a rate per cent. at which he is willing to lend his money, to which he adds the costs of the insurance. The higher the terms are, the more the transaction assumes the shape of a loan, because the very exorbitancy of the terms renders it an act of

duty on the part of the borrower towards himself to re-purchase the annuity as soon as he possibly can; for in all these cases, without any exception, a power to re-purchase is inserted in the grant of the annuity; and in speaking of such transactions I have invariably observed that the parties treat them as loans, and not as a purchase out and out of an annuity.

92. Are these annuities generally granted for the life of the grantor, and if not, for one life, or for more lives?—When the borrower has only a life-interest, the annuity is necessarily granted for his life only; but when the grantor has a larger interest, for example a long term of years or a fee-simple, the annuity is then granted for three lives at the least, and the life of the survivor of them: and as this diminishes the risk of the security, a smaller sum is generally added as the charge of insurance. I have known annuities granted for three lives at 10 per cent. upon fee-simple estates unincumbered and of great annual value in a register county. I have also known annuities granted for four lives, and more would have been added but for the danger of equity setting aside the transaction on account of the inadequacy of the consideration. Latterly many annuities were granted for a term of years certain, not depending upon lives.

93. If there were no laws of restriction on the rate of interest, could or could not better terms have been obtained?—I am decidedly of opinion that better terms could have been obtained, for there is a stigma which attaches to men who lend money upon annuities that drives all respectable men out of the market. Some leading men did latterly embark in such transactions, but I never, for instance, knew a man of reputation in my own profession lend money in such a manner, although we have the best means of ascertaining the safest securities, and of obtaining the best terms. In all loans two solicitors are invariably concerned, one for the borrower and one for the lender; and although the borrower always pays the expense of the securities, yet a regular professional bill is invariably made out; whereas in the case of an annuity, although it is in strictness a loan, one solicitor only is employed, and he never makes out a regular bill, but charges what is termed a lumping sum for all his expense and trouble in the transaction. Besides this, a judgment is nearly in every case entered up against the borrower, with liberty to issue out execution if the annuity is a few days in arrear; this is never done upon a regular loan.

94. Are you aware of any inconvenience that would result from the repeal of these laws?—I have latterly turned that over frequently in my mind, and I entertain a confident opinion that the repeal of the laws would not in any manner prejudice the landed interest; for as money can now be obtained upon real security at four and a half per cent., although the law authorizes, as it now stands, five per cent. to be taken, it clearly follows it would still be obtained at that rate, that is, at four and a half per cent., if the law allowed cent. per cent. to be taken. But where sums are owing upon personal or slight securities, I should not be surprised if the parties were to claim a somewhat larger interest for thus suffering the sum to remain on such security as soon as the laws are repealed. I should not have thought it wise to repeal the laws during a moment of agitation; but the repeal of them now would scarcely be felt.

95. If the committee understand you rightly, they conceive you to mean, that if the laws were repealed, the rate of interest would be adjusted to the securities?—Precisely so; money, like every other commodity, will find its level in the market. At this moment I think clearly that the repeal of the usury laws would not raise the rate of interest on loans upon real securities.

96. Does anything else occur to you?—Without being able to vouch for the accuracy of the account, I sent this morning to the register's office in which the grants of life annuities are enrolled, in order to ascertain the number of annuities enrolled in the last four months, and the number in the corresponding four months of last year. It struck me, that as money was now plentiful, and the rate of interest consequently, lower in the market, the number would be found to have decreased in

the four months in this year; and the numbers which have been given to me, as the result of a very hasty examination, were 457 in the first four months of the year 1817, and 340 in the course of the last four months, being a decrease of 117; but I cannot take upon myself to say that this is the actual result. With the leave of the committee, I will just add a few things that occur to me. I would first draw the attention of the committee to the act of the 53d of the King, which was framed by me, and which was, to a considerable degree, a relaxation of the usury laws, for as it facilitated and rendered more secure the grants of life annuities, which are merely an evasion of the usury laws, it did to that extent counteract their effect. If the usury laws are repealed, it would be necessary to repeal both that act and the act of the 17th of the King, which latter was repealed by the act of the 53d; for it would be absurd, as it seems to me, to leave these provisions on the statute-book, when a man may by law take what he can get for the loan of his money. In repealing the usury laws it appears to me that it would be very desirable to add two provisions; the one, that no man should lend money at interest without disclosing his name, as the lender, on the face of the security. This would prevent all underhand transactions. I myself never knew an instance, although now and then substantial reasons for privacy may occur, in which a person fairly lending his money at interest was desirous to conceal his name. The other provision which I would take the liberty to suggest is, a clause making it penal (of course I do not mean criminally) to lend money at interest, or by way of annuity, to an infant, and placing it out of the power of the infant when he comes of age to ratify such a loan; and allowing him to recover it by action, if he actually do pay it, and giving him the benefit of a discovery in equity against the lender. There is a clause partly to that effect in the annuity act, which might, with the necessary alteration, be adopted in this case. For some few years past it has been usual to insert powers of sale wholly at the discretion of the mortgagee in mortgages of real property. This power enables the mortgagee at once to secure to himself the repayment of his principal; and it appears to me, that when that operation is fully understood, the effect will be to lower the rate of interest on real securities. I may observe, that within the last few years many persons have borrowed money by way of annuity, who in former times did not engage in such transactions. Scarcely any man entered into a building speculation, with a small capital, who did not raise money by annuities, upon the security of his buildings, and very frequently before they were covered in. I have known gross frauds practiced in this respect, such as a finished house shown to a party, and a description of an unfinished one afterwards substituted. Houses have been shown as a security, in the finishing of which great numbers of workmen were employed, all of whom were taken off the moment the transaction was completed, and the annuitants were then left without any security for the annuity. By these and other frauds, I apprehend that more money has been lost than gained by loans under the shape of life annuities of small amounts; and I have known several very distressing cases in which unprotected females have lost the whole means of their subsistence by such transactions; and it does appear to me, that if the usury laws had not existed no such mischiefs as those which I have pointed out would have ensued, because loans are conducted with great caution and regularity. In many instances professed annuity dealers have collected small sums from all descriptions of persons, until they formed a considerable aggregate; this they have laid out in their own names in the purchase of one annuity, and there has been a deed to declare the trust of the annuity for the persons whose names were advanced, according to the proportion in which they had advanced them; they then procure themselves to be appointed receivers of the rents, in order to pay the annuity, for which they have a commission, and the annuitants are necessarily compelled to appoint them their receivers also, for which they charge another commission,

The temptation on the part of a solicitor to lend money upon annuities is very strong, because, without any check upon his charges, he borrows whatever sum he pleases, and he takes care that it is instantly paid; for in no instance is the borrower allowed to leave the room until he has paid the solicitor's charge. It frequently happens that the solicitor was originally concerned for the man who borrows the money, although he has taken the pains to find out a man who wants to lend it, and he does not feel that interest in obtaining a proper security for the annuity, which it is always the duty of the solicitor to do in a regular transaction. In short, annuities in their rise were a mere evasion of the law of the land; in their progress they overturned the laws, and in their consummation they ruined most of the parties who engaged in them. The act of the 17th of the King, which was intended to restrain such transactions, led to more litigation, perhaps, within the same space of time, than any other act on the statute book. The moment the borrower felt the annuity press heavily on him, he attempted, and often with success, to set aside the grant; this led to great oppression on both sides; the lender considered himself as out of the pale of the law, and exacted a rate of interest which he considered would cover at once his risk and his disgrace. The borrower considered himself as oppressed, and applied part of the very money which he borrowed in defeating the security which he had given for it; all these circumstances led to the oppressive and irregular way in which such transactions are conducted. The act of the 53d of the King has put a total stop to all litigation in regard to grants of annuities; that act has now been five years in operation, and not a single annuity granted within that period has been the subject of a lawsuit; but nothing short of a repeal of the usury laws can put a stop to the abuses which attend grants of annuities; they strongly encourage a spirit of gambling; for as the repayment of the money lent cannot be enforced, and the annuity is granted upon a contingency, the borrower too frequently neglects to provide for repayment of the loan, but trusts to chance for the determination of the annuity.

97. Do you think it would be best for all descriptions of persons, and for the state, that there should be no boundary or restraint whatever upon interest, but that it should be left to the convenience, wants, and agreements of the borrowers and lenders?—Under the existing circumstances of the country, I am clearly of opinion that it would be for the benefit of all parties that there should be no restraint upon loans at interest. By the existing circumstances of the country, I mean the degree of commercial enterprise that pervades it, and the immense capital that it possesses; if the market rate of interest rise above the legal rate, there are already numerous devices by which the usury laws are evaded, and the borrower is forced to pay not only the market rate, but a compensation for the risk and disgrace which attend a breach of the laws. The high rate of interest which can now be obtained in France, and which is paid in England as regularly as our own funds, is a strong argument in favor of the repeal of the laws, if the market rate of interest were at this moment above the level of the law, instead of being, as it actually is, below it. In a commercial country like ours, with a large capital, usury laws must, I apprehend, always be injurious to the true interests of the community. If such laws merely follow the state of the market, they are at best unnecessary; if they disregard the state of the market, they will inevitably themselves be disregarded. From the fluctuation of the value of money, it is impossible to pass a law which shall at all times accord with the state of the market. The greater the penalty that is imposed on the breach of the law, the less is the chance of the law being enforced. Our usury laws have been hourly broken, and an instance rarely occurs in which the heavy penalties have been recovered; there appears to me no foundation whatever for the notion that it is for the benefit of the government that the *legal* rate of interest should be low; a wise government, I conceive, would encourage a ready circulation of money among landed proprietors, and not drive them to shifts to

evade usury laws. Whether our usury laws be repealed or not, the landed interest will always command the use of the capital which their necessities call for; upon loans to government, I apprehend the *legal* rate of interest has no influence; the rate of interest on the stock exchange regulates them, and that is not influenced by the legal rate.

Mr. Thomas Nowlan called in and examined:

98. Have you considered the operation of the usury laws in Ireland? If so, state your opinion respecting them to the committee.—I have given some consideration to the subject; at an early period of life I became concerned in considerable land agencies, and as a solicitor had an opportunity of becoming acquainted with a great variety of important pecuniary transactions affecting the interests both of landlords and of merchants; and the state of the poor in Ireland has occupied the first place in my consideration. The result of my experience, thus acquired, is, that the usury laws, as they affect the landed interest, the commercial interest, the condition of the poor, and the general morals of the people, are certainly injurious, and have tended to aggravate the evils which these laws intended to remedy. I conceive that the value of every article must be regulated by its abundance or its scarcity in the market. When it is abundant it will be cheap, when scarce it will be dear; every security and facility ought, therefore, to be afforded in bringing any article to market, and the usury laws appear to me to diminish that security and facility in bringing money to its proper market. I conceive that the market should be an open market, for the benefit of all who may have occasion to resort to it, and that the government have derived very considerable advantages in their money dealings by not being shackled by those laws; for if they had not been enabled to pay for money a rate above the legal interest, it is probable that Buonaparte would now have been the undisturbed master of the continent of Europe; and it is certain that government could not now obtain money under the legal rate, if they had not previously been enabled to maintain the public credit by procuring money above the legal interest. If, therefore, private individuals were allowed to come into the market, under the same circumstances, many would have been saved from those enormous sacrifices and losses which they have been obliged to sustain in resorting to annuities; and I am satisfied that many a person, once possessed of property and credit, and now in poverty, would have been able to have maintained his station in society if he could have obtained money upon fair terms at a moment of unexpected pressure and distress.

99. What is the legal rate of interest in Ireland?—Six per cent.

100. Is it not generally admitted that the backward condition of Ireland is mainly to be attributed to the want of capital?—Certainly.

101. Would not the repeal of the usury laws, by removing all restrictions in money dealings, contribute very much to enable all landlords and persons engaged in industrious pursuits to add to their capital, and thereby extend the employment of the people, and the general improvement of the country?—I certainly think that would be the effect after some years; but there are particular circumstances which affect the money-ed market, so far as concerns Ireland, which I fear will prevent the repeal of these laws from producing an effect so immediataly beneficial to Ireland, as such repeal must prove to this country. I allude to the unfavorable opinions which exist in this city, the fountain of capital, respecting Irish security—opinions which must undergo a total change before Ireland can derive the full benefit of the proposed repeal; for it is scarcely necessary to remark, that the lender will be very much governed by the consideration how far his principal will be effectually secured, and whether he is likely to be paid his interest with punctuality.

102. What circumstances are there peculiar to Ireland which have contributed to establish that unfavorable opinion?—The prejudices existing against

the merchants of Ireland, and which have operated very injuriously with respect to their credit in this country, are founded with but too much reason upon the defective state of the bankrupt laws; and if Parliament do not radically amend these laws, the best thing they can do will be to repeal them altogether. The prejudices which exist against the landed as well as the mercantile security are founded in an idea of the general insecurity of property in that country, in consequence of a supposed insubordination to the laws on the part of the great body of the people, and of the delay of justice which but too frequently occurs from the inefficient discharge of their duties by sheriffs.

103. Do you allude to the difficulty of enforcing the King's writs for the recovery of debts?—Yes; it is particularly to the non-execution of the King's writs that I allude, when stating that the non-performance of their duty by sheriffs is a principal cause of the prejudices entertained in this country against Irish securities.

104. Have many abuses in respect to the non execution of writs come under your observation?—Several have; but it is now nearly eight years since I retired from the active discharge of the duties of my profession, and I cannot recall the particular instances to my recollection.

105. Are not these abuses a matter of universal complaint?—They are.

106. Is there any difficulty in obtaining the return of writs by process of law, in the several courts of justice in Ireland?—I do not conceive that the delay of justice is so much caused by a want of strict rules to enforce the due return and execution of writs, as by the disposition of defendants to submit to enormous sacrifices in the way of costs, and perhaps of remuneration to the sub-sheriff, for temporary delay and accommodation.

107. Do you not consider that a reformation with respect to enforcing writs would be a most important object for the general welfare of Ireland?—I do conceive it would be an important measure.

108. Has it occurred to you in what manner such a reformation might be brought about?—I am not prepared to answer that question at this moment, not having directed my attention to the subject for several years past; but I perfectly recollect its being a practice in many counties in Ireland for one individual, by himself, or by his clerk, constantly to execute the office of sub-sheriff; a practice which must lead to great abuses in that office.

109. Have you ever known the execution of a writ postponed, by the management of a sub-sheriff, to a distant period?—Frequently.

110. Has not the practice prevailed sometimes to such an extent as to defeat the ends of justice?—I conceive so.

111. You have stated that the prejudices which prevail in this country against the landed security in Ireland are, in part, owing to the unsettled state of that country?—I conceive that very erroneous impressions exist in this country with respect to the real state of Ireland, it being but too generally inferred, from the partial outrages committed in particular counties, that the whole country is on the verge of insurrection and rebellion, and consequently it must be very difficult to prevail upon the moneyed men to invest their property in that country, as long as these erroneous impressions exist. Occasional disturbances do occur, which arise from local causes, into the nature and particulars of which I do not feel myself at liberty to enter, as being foreign to the subject under the consideration of the committee. My conviction, however, is that these outrages, which have made so deep an impression in this country, are not of that formidable character which ought to deter the English capitalist from vesting his property in Irish security, and that an efficient police, appointed, not by the grand juries or magistrates of Ireland, but subject to their control, would effectually suppress and prevent these outrages, and insure that perfect tranquillity so necessary to induce residence on the part of the landed proprietor and the employment of capital by the moneyed men.

112. Is the police provided by the peace preservation bill such as that which you mean to describe?—Upon the same principle, but by no means so expensive; because such a police generally established throughout the country need not, comparatively speaking, be at all so numerous as that which is now rendered necessary under the peace preservation bill in disturbed districts.

113. Is it therefore your opinion that the unsettled state of Ireland is, in a great degree, to be attributed to the defective state of the present system of county police?—Certainly.

114. If an increased capital could be brought into Ireland, would it not operate beneficially for that country and for Great Britain also?—Most certainly: for Ireland possesses great natural advantages, and a redundant and distressed population, which can only be relieved by the exercise of capital in productive labor, and the fruit of such labor must be highly beneficial to the empire at large, by enabling Ireland to sustain her fair proportion of taxation, which, without adequate capital, and the productive employment of her people, she will never be able to do.

115. Do you know of any manufactures that have failed, or been suspended in Ireland, for want of capital?—I conceive that most of the manufactures in Ireland are, at this moment, languishing for want of adequate capital; and I believe that several of the ablest of artisans and manufacturers have, in consequence, either emigrated or are disposed to emigrate to America.

116. You have stated that it is principally owing to the supposed unsettled state of Ireland, and the apprehension of insurrection in that country, that it is so extremely difficult to borrow money in Great Britain for Ireland; do you happen to know if the borrowers of money in Ireland are as regular in fulfilling their engagements as they are in this country?—I believe, in cases of annuity, they are not.

117. Then their want of regularity in this respect must be a principal reason for their not obtaining the money?—Such want of regularity must have made an unfavorable impression; but I have known loans to be repeatedly refused, upon undoubted security, although the punctual payment of the interest had been offered to be guaranteed by a banking house in London.

118. You have already stated your impressions that the repeal of the usury laws would be beneficial to Ireland; do you mean by that opinion an immediate repeal?—I think the repeal of the usury laws in Ireland to take immediate effect might be attended with hazard; for the real operation of that measure will not be instantaneously comprehended by the great body of creditors, whose avarice might tempt them to make demands which, from being unexpected, might cause the most serious inconvenience to their debtors; such inconvenience might indeed be effectually guarded against, by allowing the Bank of Ireland to increase their capital, for the express purpose of applying such increase in assisting the landed interest with loans upon mortgage, at a fair rate of interest, in a moment of unexpected pressure and difficulty; and I consider myself well warranted in supposing that the landed interest would derive most material advantage from such a measure, being aware of the great benefit derived by the commercial interest from well-timed aid afforded by the bank during periods of sudden and unexpected distress.

119. Are you aware that the Bank of England is restricted from lending money upon mortgage?—I am not aware that it is restricted; but it may be beneficial that the Bank of England should be under restriction, and that it should be otherwise with respect to the Bank of Ireland. I conceive capital so abounds in the hands of private individuals in Great Britain as to render the bank of the nation an unnecessary resource during the continuance of peace: whereas from the want of capital existing among private individuals in Ireland, and the attempts that may in consequence be made to exact unreasonable terms in case of the repeal of the usury laws, the Bank of Ireland would constitute a

very beneficial resource, and be the means of checking all unreasonable demand for the use of money.

120. Is it your opinion that the repeal of the usury laws would of itself have the effect of transferring British capital to Ireland?—I think the repeal of these laws would most materially contribute to produce such an effect, because I consider Ireland presents a most favorable field for the employment of capital.

121. How do the usury laws prevent that transfer at present?—I conceive, from the cheapness of labor, that a man engaged in manufacture in Ireland could, in many instances, afford to pay a higher rate than the established rate of interest in that country, and that the price which he could afford to pay for money would be an inducement to the British capitalist to assist the Irish trader and manufacturer when he could do so without the fear of penal laws.

122. Is the practice of raising money in Ireland by annuities increased?—I apprehend it is, and upon terms more injurious than in England.

Mercurii, 6° *die Maii*, 1818.

Mr. Serjeant Onslow in the chair.

Mr. Anthony Goodeve, solicitor, called in and examined:

123. You are solicitor for the Sun Fire Office?—I am.

124. Have they been in the habit, and when did they commence the habit, of purchasing annuities?—I never knew them lend money upon annuities till within these last three years.

125. Have they done that to any extent?—Within that time they have to a very considerable extent.

126. Have they lent money upon annuities only to life-holders, or to persons having greater interest in estates?—Certainly, upon fee-simple estates.

127. In your opinion, has or has not that practice been produced or augmented by the usury laws?—I think it has.

128. You are also a solicitor in very respectable practice; has there, or has there not, been great difficulty in obtaining money upon mortgage during the last war?—As far as my experience goes, there has been a very great difficulty.

129. Has it not been owing to particular circumstances, applicable to particular times during the war, that people have applied to these means for getting money?—I know of no other particular circumstances than the scarcity of money.

130. Was it not particularly the landed interest who have applied to these means?—As far as my experience goes, unquestionably.

Mr. Rowland Wimburn, solicitor, called in and examined:

131. You are a partner in a house of the first eminence, and of long standing?—I am.

132. Has your house had the transaction of many annuities?—A great many.

133. When you first knew that practice, was it not chiefly confined to mere lifeholders granting annuities?—Almost exclusively.

134. Has the practice varied of late years?—Of late years there has been no money to be obtained upon mortgage; unless it has been trust moneys, or moneys which under the powers of settlement are directed to be laid out on mortgage, under the direction of the court of chancery; and whenever moneys of that kind have been able to be obtained, very large sums of money, I believe, and indeed I know, have been given for the procuration, under the name of the bill of costs.

135. Have many annuities been granted by persons possessing estates in fee-simple?—Latterly, a great number; almost always, upon occasions of that kind, they postpone their application till they are driven into a corner in point of time, and it is very seldom indeed that their situation will admit of that kind of inquiry and delay, as to procure mortgage money on the best of terms.

136. Have or have not the usury laws, during the times of pecuniary distress, occasioned a great number of annuities to be granted by persons having estates in fee-simple?—Undoubtedly, that must have been the result.

Jovis, 7° *die Maii*, 1818.

Mr. Serjeant Onslow in the chair.

Mr. Nehemiah M. Rothschild called in and examined:

137. Have you had any opportunity of observing the operation of the usury laws upon the money market?—I have.

138. Are you acquainted with the laws of Holland in that respect?—I am.

139. Are there any usury laws in Holland?—There are not.

140. Are you acquainted with Hambro'?—Yes.

141. Are there laws against usury there?—No.

142. In the Hanse towns?—In Bremen there is no law; but I believe in Frankfort there is a law limiting the rate of interest to five per cent. upon real security, but upon the discount of bills there is no limit.

143. What is the usual average rate of discount in Holland upon the best bills?—From three to four per cent.

144. Does the rate of interest upon best bills vary very considerably?—No, not much.

145. How high did you ever know it?—Before the bank was established they discounted at six per cent.; but there is a bank established, called the Netherlands Bank, which always keeps the discount to five per cent.

146. Is the committee to understand that in Holland the discount on good bills of exchange never exceeds five per cent.?—Never: the bank takes them at that price.

147. Therefore, according to that statement, it would seem that the bank of Holland is the regulator of interest throughout Holland?—At present it is.

148. What is the present rate of interest in Holland?—It is now at four per cent.

149. What has been the least rate of interest within these two years?—I have discounted at about two and a half.

150. To what causes do you attribute the high or the low rate of interest in Holland?—It depends entirely upon commercial business: if there are large importations of corn from the Baltic or America, or of any other commodity, there are a great number of bills coming in, and then the discount gets up.

151. What is the interest upon second and third rate bills?—They are not to be discounted at all, unless by friends or relations.

152. To what do you impute that they will not discount a second-rate bill?—Because the money lies in few hands.

153. Then you think that the difficulty of procuring discounts is much increased by the want of competition in the discounters?—It is.

154. There is a pride in Holland which induces the first houses to limit their paper, and to confine their discounts to bills of the first class?—Yes.

155. Do you mean to say that second-rate bills are scarcely ever discounted in Holland?—Yes.

156. Do you confine this to Amsterdam, or do you speak of Holland generally?—Of Holland generally.

157. Are you acquainted with the general rate of interest in Holland upon landed estates and other securities?—With the rate of interest upon landed estates I am not acquainted; but on government securities, whether Dutch or otherwise, there is no limitation.

158. Do you mean that upon depositing a security of foreign stock or foreign

obligations you may have such a rate of interest as the parties agree upon, without limit?—Yes.

159. What is the average rate upon perfectly good foreign government securities, with the addition of the security of the borrower, the borrower being of undoubted solidity?—You can get it at three or four per cent.

160. Is not the rate proportioned to the idea of the risk?—The interest to be paid is according to the risk.

161. Is it a common thing in Holland for individuals out of trade to borrow money upon bond?—No.

162. Are you acquainted with the laws which affect the rate of interest in France?—A little.

163. What are they?—They cannot by law take more than six per cent. in France; but by practice they give you a bonus before, and there is no law to call upon a man to swear to the fact of such a transaction.

164. Are you speaking of the law as it now stands?—I speak of the law by the code Napoleon.

165. You mean what is called the conventional law?—Yes; but in the funds there is no limit to the rate of interest; like the continuations in England, there is no limit, with this exception, that in France they are legal, and in England they are not.

166. Have you known, in the course of your experience, of any action being brought in any of the courts of law in France against any individual for a breach of the usury laws?—A case has lately happened in Paris; a person borrowed money upon landed property, when the solicitor called upon made out the deeds for the interest at six per cent., but the man who borrowed it privately gave a bonus to the party lending; but if the man who borrows the money comes forward and swears that he has given a bonus he is not believed; he must bring a witness who saw the case done.

167. What is the general rate of interest in France?—Five per cent.; because the bank keeps everything in check. The Bank of France lends money upon specie and upon bills at a rate never exceeding five per cent.

168. Is that the average rate of interest?—It is now five per cent., but about three years they discounted at four per cent., owing to the great increase of business.

169. Then you think that interest depends very much upon profits?—Certainly.

170 How otherwise does the Bank of France regulate the rate of interest?—The Bank of France regulates the interest of money by discounting at five per cent., and by lending upon deposits of bullion for not less than 14 days, but bills are discounted for any time less than three months.

171. Are you acquainted with the general rate of interest at the different commercial places in France?—No; but I should suppose that the general rate of Paris regulates everything.

172. Are you acquainted with the rate of interest upon the security of real estates, and upon land and houses?—The interest is five per cent.; but it is generally accompanied by a premium privately taken.

173. From your long residence and experience you are particularly well acquainted with the rates of interest which generally prevail in Frankfort and the other commercial towns upon the Rhine; will you have the goodness to state to the committee what you know upon that subject?—The interest upon the commercial towns on the Rhine, as far as Cologne, regulates itself, to Amsterdam, and, further up, to Frankfort. The rate of interest upon landed property and houses in Frankfort is from four to five per cent., but without any premium; but bills are discounted in Frankfort at four, five, six, and seven per cent., according to the risk.

174. There are no restrictive laws there?—Not in the bill line; the current

interest is to be collected, upon bills of exchange, from the price current, from which it will be seen that it varies from three to eight per cent., and it has been as high as twelve per cent. I am speaking of the general practice within the last twenty years.

175. Do you know whether there are any usury laws in Hambro'?—There are, but they are not enforced; the regular course is to take not more than five per cent. upon landed security; but the laws are evaded by a premium being given. Upon bills of exchange any discount may be taken.

176. Then you think that the high rate of interest is rather a proof of the prosperity of a State than of its adversity?—I think the principle may sometimes be true; as, for example, in transactions which at present prevail between Hambro' and St. Petersburgh, when silver is withdrawn from the bank, consequently making a scarcity of bank money by transmitting it for an object of profit to Russia, which may increase the price of the discount; but, as applicable to trade in general, I should say that periods when discounts at Hambro' have been highest, have been periods of commercial difficulty, attended with failures.

177. Are you acquainted with the laws which regulate the value of money in Prussia?—Yes; upon landed property it is five per cent., but upon bills and other obligations as much may be taken as can be got.

178. In Austria?—In Austria the bank gives six per cent., but upon private bills it is the same as in Prussia.

179. In Augsburg?—That is what is called an accommodation place; every one may draw upon Augsburg, but Augsburg is not in the practice of accepting bills, and it is the same with Leipsic. Fourteen days before the bill becomes due the party is obliged to give an answer, and no protest for non-acceptance can be made previous to that time. Money is frequently scarce, because there is a great number of bills becoming due at once, by which means, from the shortness of notice, the discount is sometimes six, seven, or eight per cent., but also it is sometimes as low as three per cent.

180. Is the mode of raising money by way of annuity known in the different places to which your evidence refers?—No; it is not known at all.

181. Do you know any country where usury laws exist, and where they are not evaded?—I have already stated that I am not aware of any country where the usury laws are not evaded.

182. Are you not of opinion that the usury laws are ineffectual in keeping down the rate of interest?—Yes; certainly.

183. Are you acquainted with any disadvantages which affect trade generally in those places upon the continent to which you refer from the non-prevalence of the usury laws, as referable particularly to the discount of bills?—I am not aware of any inconvenience.

184. Have you found those restrictions injurious to the discount of bills?—Not in a commercial point of view.

185. You could always discount good bills at five per cent.—that is, without any deposit being placed?—Certainly.

186. To what do you impute that bills could be discounted at five per cent., when money could not be obtained upon the best landed securites at that rate?—First, upon bills, they can always be sent into the bank; the owner who discounts can always re-discount them at the Bank of England, at any time when he wants the money.

187. Have you ever considered the general operation of the usury laws, as bearing upon the value of the money in England?—Yes, I have considered it, but I would beg leave to take this opportunity of delivering my sentiments in writing.

[*The witness delivered in the following paper, which was read:*]

"I think the operation of the usury laws, as bearing upon the value of money in England, of great importance to tradesmen. In this country it is different to those on the continent: a bill drawn upon such persons is seldom if ever seen, while in this country they abound, and are doubtless a great and necessary accommodation to that part of the community. Small manufacturers likewise derive many advantages from this kind of assistance, as many of them have friends, or a confidential person in town, on whom they draw at short dates, against their goods sent to the London market; these bills become negotiable at the legal rate of five per cent. discount, which enables such persons to carry on their concern, not only with more facility and advantage, but to a much greater extent. It is impossible for me to say positively what would be the consequence to these, and many others of similar description, were the usury laws repealed; but I believe great advantage would in many cases be taken of the necessities of such persons, by the lender demanding, probably, two or three times the rate of interest from them on their security, as would be required in discounting the bills of first and second-rate houses; therefore it appears to me, that the less opulent should be protected in some way from being exposed to so great a reduction in their profits, through the necessity of turning their capitals, by immediately discounting their drafts at an extravagant rate, those persons not having hitherto had much difficulty in discounting their bills at the legal rate of five per cent. discount.

"N. M. ROTHSCHILD."

VENERIS, 8° *Die Maii*, 1818.

Mr. Serjeant Onslow in the chair.

Warner Phipps, esq., called in and examined:

188. You are the secretary to the Albion Fire and Life Insurance Company?—I am.

189. Has that company been in the habit of lending money upon annuities?—Yes, for some years past; I think during about the last 11 years.

190. Have they confined those loans to persons having only a lifehold interest, or to persons having estates in fee-simple?—Loans have been made on properties of both descriptions, and at rates of annuity suited, of course, to the respective natures of each.

191. What has been the usual rate upon estates in fee-simple?—The rate of annuity on fee-simple estates, and in other cases, has been dependent, in some degree, on the state of the money market at the time; from the year 1808 to the year 1816, the terms on which annuities on fee-simple estates were bought were commonly 10 per cent., including the proportion necessary to cover the property tax, which, of course, was returned or deducted.

192. Upon how many lives?—On three lives, for a fee-simple estate, named by the company as grantees of the annuity: the terms of such an annuity were made up of three ingredients: the rate of interest, which was in general eight per cent.; the life insurance, which, for three lives, was taken at one per cent.; and then one per cent. was added, being one-ninth upon the two first items, and producing enough to cover a return of one-tenth on the whole for property tax. The same rate of interest, that is, eight per cent. or thereabouts, was in general taken on approved securities, subject to single life contingencies, with an addition for life insurance, according to the nature of those contingencies; and also with one-ninth added, to cover the deduction to be made for property tax.

193. Who paid the bill of costs of the transaction?—The borrower, constantly.

194. Do you know whether the costs were very heavy?—In some instances they were heavy; but it was because the investigation of the securities made a large expense unavoidable. The securities were always prepared by the solici-

tors of the company; and it was matter of strict injunction on them that no expense of consequence should be incurred without the knowledge and acquiescence of the person borrowing the money.

195. In the present state of the money market, would not the company be desirous to lend on mortgage at five per cent.?—Certainly; from the alteration in the state of the money market the company would now very gladly lend large sums of money on mortgage at five per cent.

196. Can they find those mortgages?—The difficulty of finding proper securities in the way of mortgage, at five per cent., is at the present moment very great indeed.

197. Was it at any particular period of the late war that there was an extreme difficulty in procuring money on mortgage?—For several years; for the period of, I think, six or seven years, mortgages were not to be obtained: the term "mortgage" had almost become obsolete.

198. During that time you had a great number of applications for the loan of money upon annuities?—There were a great number of applications.

199. Had there been no usury laws in existence, do you think the difficulty would have been so great?—I believe the difficulty of borrowing would, in that case, have been much diminished: I have reason to think so, because, before I entered on my present occupation, I held, for some years, a confidential situation in one of the first banking-houses in the city of London. From the habits of my life at that time I know there was, on the part of bankers and other capitalists, not merely an apprehension, but almost a horror, of any annuity transaction, or of any money transaction, so contrived as to produce an interest of more than five per cent. When I became connected with the business of life insurance I saw that there was a great number of persons of consideration whose circumstances required assistance; who had good securities to offer; and who were deprived of the ready means of obtaining assistance from the prejudice against annuities—that is, because bankers and others did not choose to lend money on such securities, under the circumstances of the moment, at five per cent.; and because, from the impressions produced by the usury laws, they shrunk from the idea of a transaction affording more. I then became persuaded that, under the existence of the usury laws, men of opulence and respectability could not employ a portion of their wealth with more advantage to the public than by making advances on safe annuities, on such terms as should be suited to the actual state of the money market; and that, by such advances, many embarrassed persons might be taken out of the hands of the dangerous description of people who then preyed upon them, in the way of annuity brokers, or pretended money lenders. This impression rapidly gained ground about the time I mention, and very large advances on annuity were soon made from the funds of insurance companies, and from other respectable quarters. If the usury laws, however, had not existed, I am persuaded that bankers and others would have supplied the wants of many persons of the description I have spoken of.

200. You mean at a lower rate?—On terms suited to the actual state of the money market, but less burdensome than those which must attend an annuity transaction, and which was then almost the only mode by which the possessors of money could safely obtain an interest suited to the real state of the market.

201. If the prejudices arising from the usury laws were removed, and if the charges attending loans by annuity were as reasonable as they are upon loans by mortgage, would not the general introduction of the annuity system operate as a virtual repeal of the usury laws?—I conceive not; because a loan on annuity must always be accompanied with two descriptions of expense. There must be an addition equal to the value of the life contingency; and the rate of interest itself will be always higher upon a loan on annuity than upon a loan in the way of mortgage; because the money lent on annuity is not capable of being called in by the lender, but is at the disposal of the borrower.

202. Is not this latter circumstance a full recompense for the higher rate of expense?—Of course it acts as an equivalent if it be necessary to the purposes of the borrower. I should add, that during the 13 years that I have been accustomed to my present duties, and guided by my experience in my former occupation, I have had repeated occasion, before the discussion of the usury laws arose, to perceive that those laws were attended with great prejudice to the interests of society. I mean to say, it became plain to me that, whenever money was scarce, those who had it, and were determined to turn it to the best account, would not part with it to those who wanted it, without, sooner or later, devising some mode of obtaining a compensation suited to the actual state of the market, in despite of the usury laws; and which mode might be more burdensome to the borrower than any interest he would be likely to be subjected to, if there were no usury laws. When money is plentiful, persons, of course, will always very gladly lend it at a low rate of interest.

203. You cannot speak of the actual state of the money market during the last 11 years, except as far as regards the loan of money belonging to your own office?—Certainly I can. The intercourse I have had with persons having occasion for money has shown to me, from time to time, in a marked degree, the state of the money market. I should have had constant occasion to possess myself of that knowledge, had it not been forcing itself upon me from the applications occasioned by the state of the market; because the terms which it became necessary for the company to propose were always, in some degree, dependent on the state of the market. I have stated in the former part of my evidence that the terms on which annuities were taken by the Albion Company involved the addition of one-ninth to cover the property tax, which was to be deducted upon the whole annuity in the proportion to one-tenth. But as the property tax has ceased, I think it right to add, that although the company were not bound to continue the deduction of the one tenth included for property tax, still the directors have thought it just to continue that deduction wherever the addition for the property tax had been so included.

204. Were not the annuities you speak of, as granted on estates in fee-simple, redeemable annuities?—Invariably.

205. Are you aware that the legal rate of interest in Ireland is six per cent.?—I am.

206. Has your office made any loans upon Irish securities?—In no instance.

207. If the usury laws were repealed, which limit the rate of interest to six per cent., might not the higher rate of interest induce the capitalists in this country to lend their money upon Irish landed security?—There are many capitalists in this country, and some of the insurance companies, (the Globe Company, I believe, in particular,) who have lent large sums upon Irish securities; but the Albion Company in no instance has made, or I believe will make, any advance on that description of security.

208. Can you state to the committee what are the usual objections that prevail in this country to lending money upon Irish security?—The strong doubt that exists as to the possibility of enforcing the security, in many such cases, if it became necessary.

209. You mean through the failure of the execution of the laws in regard to the execution of writs?—I mean from the apprehension that is entertained as to an insufficient power of carrying judgments into execution in certain parts of Ireland.

210. Does it come under your knowledge that those who have lent money on Irish security have had any reason to repent of it?—I cannot answer that question from actual knowledge, because I have not been concerned in any such dealings; but from repeated intimations I have received I have the strongest reason to believe that loss has been incurred by lenders of money on Irish securities, from the cause I have mentioned.

211. Are you aware that an entire change has been made by the Irish government in the system of appointing sheriffs in Ireland?—I am not.

212. Does it come under your knowledge that the discredit of Irish securities is owing, in any degree, to the defective state of the civil police of Ireland?—I certainly have reason to believe that the defective state of the police, in some parts of Ireland, has given occasion to the losses which I have mentioned, and in part to the apprehensions which I know exist as to the safety of securities on property in that country. I have myself, when I have been in Ireland, heard, in the court of chancery, a report made from a sheriff that he did not dare to carry some particular process of that or of some other court into execution. I heard the chancellor say that "the sheriff must have more nerve, and must try again."

Samuel Gurney, esq., called in and examined:

213. What are you?—A bill-broker.

214. What is the business of a bill-broker?—It is to get bills discounted for those who want money, with those who have money to spare.

215. How long have you been in that business?—Between eleven and twelve years.

216. Do you recollect any period when the Bank of England have narrowed their discounts?—I do not recollect that period.

217. Have you always found it easy to discount bills at five per cent.?—Not at all times easy.

218. What was the period when you did not find it easy?—I particularly allude to the year 1815, when government drew much larger supplies than they had ever done before from the money market. In that year there was a very great difficulty in getting bills discounted at five per cent., but with that exception I think there has been but little difficulty.

219. You were not in business before the act for restraining the Bank of England from paying in cash?—No, I was not.

220. Did not the commercial world experience in that particular year considerable inconvenience from the difficulty of obtaining money at five per cent.?—Yes, in that year, most undoubtedly.

221. Do you not conceive that bankers and other moneyed capitalists would have been induced to discount had it been legal to take a higher rate of interest?—Certainly.

222. Do you not conceive, therefore, that the usury laws operated at that period very disadvantageously to the public interest?—I conceive, in that year, that they did.

223. And would they not do so at all periods of equal scarcity?—I should presume that the same cause would equally produce the same effect.

224. Do you not believe that merchants and other traders are frequently driven to dispose of their goods at very disadvantageous prices from not being able to borrow money at above five per cent., and which they would have been able to do were it not for the usury laws?—I doubt whether that has been the case to any material degree, except in the peculiar pressure to which I have before alluded. During that year the difficulties in the mercantile world were very much increased by the high rate of interest which could be legally made on the stock exchange.

225. Whenever it happens, from particular circumstances, that a higher rate of interest can be made at the stock exchange than the legal rate, a great restriction will ensue upon the accommodation of loans by discount to those who hold bills?—I consider that would depend upon whether the high value of money on the stock exchange lasted for a considerable time, as it did in that year, or occurred only occasionally for a short period.

226. May not this restriction occasionally contribute very much to produce

great distress in the commercial world?—With the exception of that year, I have not been aware of any such injury.

227. Are not the usury laws continually evaded by the buyers and sellers of goods making so great a difference in price for the goods sold upon credit, and for money, as to amount to far more than five per cent.?—There is often a very considerable difference in the money price for goods and that for credit, so as to exceed a calculation of interest at the rate of five per cent. per annum; but I do not think it can be called an evasion of the usury laws.

228. Can proceedings of this nature be so generally practiced as, in your opinion, to afford a substitute for the accommodation of discounts?—I should think not, as a bill of exchange is so totally different from other securities, especially from those upon goods.

229. Is not the general business of trade carried on for the most part by a system of continual discount, particularly among manufacturers?—Undoubtedly it is materially aided by it; but there are many so opulent that they want no discount.

230. If there had been no usury laws in the year to which you allude, as one of particular difficulty, would money have been got at a higher rate to a sufficient extent to relieve the mercantile pressure, and at what rate?—I should think sufficient could not have been got to relieve the mercantile pressure in that year.

231. Did many mercantile failures take place when the houses had actually good bills in their possession, in consequence of the difficulty of discounting those good bills?—It is a very difficult question to answer fully; but I think not, because when a person's existence, as a commercial man, was at stake, no one would allow their own friends and connexions to be ruined, merely to save themselves from a disadvantage in the rate of interest.

232. What year was that to which you allude?—The year 1815.

233. You say that sufficient would not have been had; would it much have alleviated the difficulties?—I think it would.

234. Do you know of any other cause that occasioned the high rate of money in that year, except the demands of government?—I do not think there was any other cause that came within my observation.

235. Among the commercial body with whom you have intercourse, do you hear the usury laws complained of?—I do not hear them complained of in the mercantile body with which I am connected.

236. What effect do you suppose the repeal of them would occasion upon the feelings and conduct of commercial men?—In the present state of the value of money, I conceive it would have very little effect on their feelings and conduct, money not being worth five per cent.

237. But as a system, applicable to all times, how do you suppose it would operate?—I conceive that among the opulent and larger merchants, and the bankers in London, very little inconvenience would result from it; but to the smaller merchants, and to the smaller and manufacturing towns in the kingdom, where the money circulation goes through the hands of a few individuals, it would give to those individuals a very great power, which might be injurious to the community.

238. Would not the dealings in money in those places to which you allude be governed by the same principles of competition which govern all other dealings?—The money circulation, in the towns to which I allude, being in the hands of much fewer individuals, I should think it would not receive so much benefit from competition as in the metropolis.

239. Do you not conceive that the poorer classes of manufacturers are very often exceedingly distressed in consequence of not being able to raise money, owing to the limits provided by the usury laws?—I have not had much experience as to the state of the small manufacturers in the country, but from what

I know of the means through which the circulation in the country is managed I should think there had not been a great inconvenience felt.

240. Do you not think that an unrestrained competition would have the effect of producing a plenty?—Generally speaking, I doubt whether it would have that effect.

241. What is the common and ordinary manner in which country bankers employ their funds?—Mostly in government securities, but many in bills of exchange, and some few on mortgages, and in advances to the agricultural interests; but experience has shown that the former method is not desirable in consequence of those securities fluctuating so greatly in value, and also that the two latter (mortgages and advances to the agricultural interest) have caused the ruin of many bankers, from the impossibility of calling them in on sudden emergencies.

242. Are not their surplus balances, in general, remitted to their London correspondents for employment?—Yes, they are.

243. Would the abrogation of the usury laws produce any, and what, effect upon the operations of government, in the money market?—I conceive, but little; because they have not been bound by the usury laws in their bargains with the public.

244 But might it not happen, in times of scarcity, that individual competition, without a restrained rate of interest, might absorb so much of capital as to render the transactions of the government not only more difficult, but obtained at a higher rate of interest?—I doubt whether it would render their operations more difficult, but certainly they would have to pay a higher rate of interest.

245. If there existed no statute of limitation as to interest, would it not be the means of landed property changing hands more frequently than it does now?—I should think it would.

246. Would it not frequently make the sale of land unnecessary?—It undoubtedly would frequently have that effect, by enabling the party to borrow money on their land, instead of selling it: but such a facility would give the landholder so great a power to raise capital upon his estates, that it would very often be embarked in other directions, and eventually he would be forced to sell his land.

247. If the committee understand you right, your opinion is, that the more easy means of obtaining loans of money would induce the extravagant and inconsiderate to get more largely in debt than by the existing laws they are enabled to do?—My experience has not much led me to know the operations of money upon landed property, but I should think it must have, very decidedly, that effect.

248. Do not persons of extravagant dispositions constantly find means of evading the usury laws by borrowing money upon annuities or selling their landed property?—The usury laws have been frequently evaded by borrowing money upon annuities, but still the public opinion is so much against such transactions that I doubt whether the extent of their operation is nearly so general as would be the case were the limit as to the value of money removed. I consider the operation of the evasion of the usury laws to be partial.

249. Do you not conceive that the usury laws drive persons of extravagant dispositions from the respectable money lenders into the hands of usurious money lenders of bad character?—I conceive that they do, but that it is only the very imprudent that would have resort to such means of raising money, and consequently the operation of raising money by way of annuity, as I said before, is not so general as the raising of money upon mortgage simply would be if the means of doing so were facilitated.

250. You think that there would always be as much difficulty in raising money upon mortgage as there would be in raising money by way of annuity?—No, I think not; if you take away the statute of usury, then it would become perfectly

easy, and it would also become, in the eye of the world, respectable to borrow money upon mortgage, or any other security, on the best terms possible.

251. From the consideration which you have given to this subject, is it your opinion that any distinct and different principle would be expedient on the part of the legislature to apply to the trading part of the community and to the landed?—I really do not feel quite competent to answer that question without considering it more fully, but I consider that it is possible that the rule which may be wholesome to the landed interest may be injurious to the other.

252. Do you not think that it frequently happens that mercantile men have opportunities of making far more than five per cent. by mercantile transactions which they are deprived from carrying into effect by not being able to borrow money at above that rate?—I consider that such cases do arise, but whether in themselves they are desirable to encourage I have very great doubts.

253. Do you conceive that any prudent mercantile man, in consequence of the usury laws, is impeded from raising money to an extent proportioned to his natural means, for the purpose of carrying into effect any mercantile operation?—I think not; because I consider that no prudent man will borrow money at a high rate of interest to carry on speculations in trade beyond what he has means of his own to conduct.

254. Do you not think that it would answer with many prudent men to borrow money at the rate of six per cent. as a permanent capital to carry on his business as a merchant or manufacturer?—I consider that, as a permanent capital, it may very frequently be worth their while, and desirable for prudent men to do it.

255. Do you not think that the average profits of trade are such that prudent mercantile men can afford to pay six per cent. interest for a permanent capital?—The general profits of trade would warrant their paying six per cent. interest for money.

256. Do you think, from your experience in money transactions, or are you of opinion that a repeal of the usury laws would tend to raise the rate of interest above five per cent., or to lower it?—My experience having been during a time of war, I think the operation would have been to have increased the rate of interest.

257. In forming that opinion, do you take into your consideration the sums which have been made from evading the laws, both in the shape of premiums given to solicitors and others, and the high rate of interest paid for annuities?—My answer I meant to apply chiefly to the mercantile body, where I do not think such premiums have been given; I form that opinion from a knowledge that money has actually been worth rather more than five per cent.; but the lender of money has been forced to be satisfied with it, and the borrower has got it at a more reasonable rate in consequence.

258. Do you think that if the rate of interest had been unlimited that bankers would have so generally charged five per cent., as they do at present?—I conceive that if the value of money had been allowed to fluctuate according to its real value, the bankers now would have been forced to discount at four per cent. instead of five—that is, to follow the course of the market, and the bank likewise.

Mercurii, 13° *die Maii*, 1818.

John Irving, esq., in the chair.

Mr. James Gibbs called in and examined:

259. What is your profession?—I am an attorney.

260. You are connected with Mr. Howard?—I am.

261. What is the firm of your house?—Howard & Gibbs, resident at Cork street, Burlington gardens.

262. Has it occurred to you, in the course of your practice, to obtain money upon loan; and if so, be pleased to state to the committee the general nature of your practice in such dealings?—The sums that we have obtained have been generally by way of annuity, with very few exceptions, but very largely by way of annuity.

263. Can you produce to the committee any statement by which they can judge of the extent of your dealings in the course of a year?—I am not prepared with it at present, but I could furnish the committee with a very correct statement.

264. Can you do so from memory?—It is impossible.

265. To what class of persons in general have you been agent for the procuring loans of money?—Persons in all situations in life: almost all persons in a situation to give good security for money; many in very opulent situations, and many in the very reverse, but still in a situation to give security for money.

266. Is it your own money you lend, or the money of your clients?—The money of our clients.

267. What description of clients are those?—Gentlemen, tradesmen, men who have been tradesmen and retired from business, and in many instances females.

268. Servants at any time?—Some years ago that used to be the case, but not now; we have altered our connexion within the last eight or nine years very materially; in some instances it does happen now, but very few.

269. Describe to the committee the nature of the security upon which you make such loans of money?—On freehold security, either where the parties are entitled in fee or to a life estate only; copyhold securities, leasehold securities, charges on money in the funds, advowsons; in fact, personal securities where the parties are known to us.

270. Any considerable proportion on personal security only?—Very considerable.

271. Upon securities which you have stated, has it been your practice to procure loans of money at the interest of five per cent., or have you done it at a higher rate of interest?—I do not think we were ever concerned in more than eight or ten negotiations where money was lent on mortgage; we have been concerned by way of annuity generally.

272. At what rate of interest?—That depends a great deal upon the security; indeed altogether upon the security; if freehold security is offered to us, the person being entitled in fee, the money has been obtained at seven and a half, eight, nine and ten per cent., and even at a higher rate of interest, on such a security as that, when money has been scarce.

273. You mean for the security upon payment of the interest only?—That the interest has been seven and a half, eight, nine and ten per cent. upon such a security, where a person has been in such a situation to grant an annuity for lives.

274. How many lives?—Three, sometimes four; never more.

275. How high a rate of interest have you at any time known to be paid in the way of annuity?—I have known 19 per cent. where the parties have been extremely aged, and have had a life interest only.

276. Do you mean to state it is with reference to age, and not to security?—With reference to the age, supposing the security undeniable and the person borrowing the money extremely aged, the rate of interest would be considerably enhanced in consequence, as the rate of insurance would be extremely high.

277. You mean an annuity for his own life?—Yes.

278. And that being a very aged one?—Yes.

279. But supposing the annuity to be upon three or four lives, as you have stated, what is the highest rate of interest you have known to be paid?—Twelve per cent, I think.

280. The borrower insuring the life?—There is no insurance necessary in a case of that kind, till two out of three lives, or three out of four lives, drop.

281. Does it come within your knowledge that the practice exists of different parties joining in an annuity, and that those parties divide the sum so obtained?—It is not a matter likely to come to our knowledge at all.

282. Do you know it in point of fact?—To say I do not know it would be incorrect; I know it, from the circumstance of being concerned for the purchaser of an annuity, when a motion was made in the King's Bench for a rule to show cause why his annuity should not be set aside, on the ground that one of the parties, stated in the memorial to have received the money, made an affidavit he had not received any part of it. Now the fact in that case was, that the money was paid to three grantors, and the impression on my mind is that they divided the money; but in that case a man of the name of Banwell swore that, although it was stated in the memorial that three parties had received the money, he had not received any part of it; it is from such a circumstance as that alone that I can know it.

283. Do you mean to state to the committee that this is the only instance within your knowledge of such a practice?—At present I do not recollect any other; and the impression on my mind is, that in many transactions in which we have been concerned, and where there have been joint grantors of an annuity, they have divided the money; I cannot say they have.

284. In the event of £1,000 being borrowed at your house, how much of that money does the borrower receive?—That all depends upon the nature of the security, and the trouble and time taken to make the negotiation.

285. What is your charge for negotiating such a transaction?—Most generally a bill is made out, upon which the charges are regularly made, as in ordinary cases for negotiating a purchase or sale of a property of any description; in many instances a sum is agreed upon to be paid.

286. Have any of your bills ever been referred to the master to be taxed?—They are not taxable; I never knew an instance of one of our bills being disputed; and if it was, I cannot say to what tribunal it would go; I think most likely to a master in chancery.

287. What is your charge in the case of an ordinary security?—We have no regular rule to go by; we can form a judgment when the security is put before us, or when we have gone to a certain extent in it.

288. Be pleased to state to the committee instances of the general practice of your charges, in raising money, as applicable to different circumstances?—In many instances we make out bills, and the amount of those bills depends materially upon the trouble and expense of negotiating those loans; in many instances sums are agreed upon at the commencement of the negotiation; we have received at the rate of five per cent. upon the sum raised, and from that to ten per cent., in many instances.

289. As a compensation for your charges and trouble?—Yes.

290. Which has been the more ordinary charge?—I should think one as often as the other.

291. Is that a compensation for stamps and all other charges?—It includes everything; the fees of enrolling the security under the act, and everything else.

292. Have many of the annuities negotiated by your house been redeemed?—Immense numbers.

293. Did that take place recently, or when money was scarce?—I rather think the redemption of annuities has increased a little within the last six or eight months; certainly they have increased somewhat in that period.

294. But they have always been in progress of redemption?—Yes, always; but the redemption of annuities has increased within this twelvemonth.

295. Has it been the general practice with lenders upon annuity to insure the lives of the annuitants?—Yes.

296. Have you an insurance office at your own house?—We have; it does not belong to us solely, it is established by subscription.

297. State the nature of that office, and who are partners in it.—It is impossible I can state every one; it consists of very nearly 200 persons; more than 185.

298. Is it by charter?—No, by deed.

399. In shares?—Yes.

300. Are Mr. Howard and yourself connected with it?—Yes.

301. What proportion of the shares do you hold?—I subscribe £5,000 and Mr. Howard £5,000.

302. How much more is the capital?—The instalments, to be paid on the shares already subscribed for, are ten; four instalments have been fully paid up; the fifth is in the course of payment; and by the 19th of June in the next year the whole instalments will be paid; the capital then really subscribed (we are only called upon to pay a moiety of our shares) will be £50,000, within, I should think, a thousand; I cannot say more exactly to that.

303. By what rate of insurance are the charges of your office regulated?—By the same scale that others are guided by; we principally adhere to the same as the Equitable.

304. In what manner is your capital invested?—It is all in the public funds.

305. Have the persons who generally apply to you for loans of money been extravagant persons who have squandered away the greatest part of their fortunes, or do they consist also of persons who are prudent, but who want money for different purposes?—Of both classes of persons.

306. And persons who have good real security to offer?—Yes.

307. The applications are more frequent from that class of persons, in times of general distress, for money?—I cannot say so; because latterly we have been more seriously engaged in loans of that kind than before.

308. By latterly, do you mean within these twelve months, or these five or six years?—Within the last twelve or eighteen months.

309. How do you account for that circumstance?—I do not know how to account for it; I have not formed any opinion upon the subject; but that certainly is the fact.

310. Do you not conceive that when those persons who have real good security to offer apply to you to borrow money by way of annuity, which is your general mode of lending, that it arises from their being unable to borrow money in the market at the legal rate of five per cent. interest upon that security?—Not always; I have known very many instances where parties, from motives of delicacy, and there may be other reasons I am not apprised of, have preferred borrowing money by way of annuity to applying to their own solicitor or friends for money, by way of mortgage, when they have had security to obtain money at that rate.

311. Does that frequently happen?—Yes, I may say frequently.

312. You mean to state that it frequently happens that a person possessed of an estate in fee-simple or other security applies to you to borrow money upon annuity, rather than borrow it upon mortgage?—Yes; from motives such as I have stated, where parties, rather than apply to their own family connexions, have resorted to us to obtain the money on such security.

313. They apply to you rather than to their own family solicitor?—I have known that to be the reason in many cases, and I conclude it to be the reason in others.

314. Do they then apply to you to borrow money upon mortgage, as they would to their own solicitor?—No.

315. Then you mean to state, that from motives of delicacy or a wish of

secrecy, they apply to you to borrow money upon annuity, rather than go to their own family solicitor to borrow money upon mortgage?—I confine it to their family connexions, their family solicitors, and that only in such cases as have been alluded to.

316. Do you not conceive that a person possessing such a security as that described, borrows money at a much higher rate of interest by borrowing it of you upon annuity, including all charges, than he would do by borrowing it at five per cent. interest?—I think he does.

317. Do you not think that in general it amounts to six per cent. interest?—Certainly.

318. To seven per cent.?—Certainly.

319. To eight per cent.?—No, I should think not, because I have known money lent at seven per cent. by way of annuity.

320. Does it not often happen that where there is a general scarcity of money, persons who would otherwise borrow money upon mortgage are driven into the annuity market?—Yes.

321. Do you not think, if the usury laws did not exist, that many of those persons who are driven to borrow money upon annuity would be able to borrow it at a lower rate of interest, by borrowing it upon mortgage?—As a matter of opinion, I should think not, certainly.

322. Does it not happen that many devices are made use of, by lenders of money, to avoid the usury laws?—I believe such cases occur, but they never occurred with us.

323. When it does occur, do you not conceive that the borrower always pays for the evasion, in some shape or other, and for the risk attending that evasion?—As a matter of opinion, I should think he did.

324. Do you not conceive, that the mode of lending money in which you have most experience has arisen from the usury laws?—I cannot say that, because it has arisen under the annuity act.

325. Do you not think that more persons have recourse to that mode of raising money than otherwise would have recourse to it, provided there were no laws against a higher rate of interest than at present exist?—I should think it likely, but the greater part of the persons who borrow money by way of annuity are borrowers upon life estates, so that they would be compelled to seek, under the existing laws, relief from their wants by way of annuity, as they have not securities for mortgage.

326. In your practice as a solicitor, have you known any instances of the holders of promissory notes and bills of exchange for valuable considerations being defeated in their claims by pleas of usury?—No, not any; I have read of it in the public papers, but I do not know of any.

327. You know the fact to be, that the holder of any negotiable security may, as the law now stands, be defeated by a plea of usury, although that usury had taken place without his knowledge, between previous parties?—I do not know that such a law exists, where it has passed into the hands of a fourth person, that person being an innocent holder.

328. Do you not know that the holder of a bill, however many hands it may have passed through, may be defeated by the proof of usury between the drawer and acceptor?—No; nor should I think that good law at all, unless you could fix a knowledge upon the holder of the bill; I know a case decided, very recently, in opposition to that.

329. Has it been your practice to lend money upon post-obits?—We never negotiated but two.

330. State to the committee the manner in which those transactions were conducted?—Indeed I cannot, it is so long ago.

331. Has it happened to you to know, whether or no that is the general mode of raising money by persons in distressed circumstances?—I believe it is very frequently resorted to; they are repeatedly offered to us.

332. Is it the practice, generally speaking, of persons raising money by annuities to have their lives insured?—Yes, where the annuity is for that person's own life.

333. But in the event of there being three or more lives?—I never knew an instance in that case of their insuring while the three lives were in existence.

334. But when they came within the bounds of two lives, they then insure? I never knew an instance of that; the calculations upon the table of life are so much in favor of the purchaser, that I never knew, in an instance of annuity, two out of three lives fall, but in one instance.

335. Has it never happened to you to know, that a borrower upon three lives has been charged with the premium of insurance?—No.

336. At whose charge is the premium usually paid?—In that case the party purchasing generally takes the chance.

337. Is there no calculation in the price?—No; I never knew an instance of the kind in our practice.

338. What are the general cases that are met by insurance in your office? Where the annuity is granted for a single life, or for the lives of two persons, where the death of either party terminates the interest.

339. In that case, at whose charge is the insurance made?—At the cost of the grantor; he does not pay the insurance, but it is calculated in the terms upon which the annuity is granted.

340. Is there any profit charged upon that calculation; is there any estimate made of the precise sum paid to your office?—To a fraction generally.

341. You have stated that you have been in the habit of lending money for servants and small tradesmen, who have retired; are they liable to much disappointment in the payment of the annuity?—That sometimes happens, but not often.

342. But, as far as your practice goes, there is in general great regularity?—Considering the immense number of transactions that we have been engaged in, great regularity.

343. Then that class of people do not suffer much inconvenience from lending money in that way?—No, they do not, as far as my knowledge goes.

344. You have stated that many persons, from feelings of secrecy, apply to you for the loan of money, and that they do not go to the regular channels to get it; do you suppose the repeal of the usury laws would operate a considerable change in that respect?—I am not prepared to give an opinion upon that subject at all; speaking at the moment, I should think it is very likely to produce the effect spoken of.

345. How do you suppose the repeal of the usury laws would operate upon the general transactions that take place at your office?—That is an opinion I am not at all prepared to give.

346. What do you conceive to have been the average rate of interest you have been able, for the last seven years, to make, for any person offering you money to lend, and saying they would be satisfied with your judgment as to the security?—A good deal depends upon the nature of the security, whether it is a life interest, or whether it is an estate in fee, proposed as a security; in the one, the interest would be considerably less, as there would be no necessity for insurance.

347. What rate of interest have you been able to make for persons content with fair reasonable security, during the last seven years?—About 10 per cent.

348. What is the highest rate you think you have made for any person upon fair good security?—Our transactions have been so numerous, I can scarcely answer the question; but I should think the highest would be about 11 per cent. in both cases.

349. That would be 11 per cent. to the lender?—Yes.

350. How much would that come to to the borrowers, with the charges?—That

depends upon the number of years he would keep it: it would come to about £14 10*s.* or £15 for three years; £15 would be the outside.

Thomas Kemble, esq., called in and examined:

351. You are extensively concerned as a broker in the city of London?—I am, particularly in West India produce.

352. To what length of years does your experience extend?—Two and thirty years.

353. In the course of those years there have been different periods of great difficulty with regard to money?—There have been very great.

354. Does your recollection furnish you with those particular periods? and if so, state them to the committee.—No, really I do not immediately recollect the years; I think 1811 was a very bad year, when there was most distress, and the produce was hardly salable.

355. What are the means generally resorted to by persons having goods incapable of being sold, by which to raise money? Their means generally are to resort to their brokers.

356. In what manner does the broker assist them?—He assists them with money when he has it by him; if not, by the acceptance of the house.

357. On the security of the goods?—Yes.

358. In the event of the goods not being sold at the period when this acceptance becomes due, in what manner does he reimburse himself?—The goods not being sold, and if the broker has not money to spare, it is by renewal of those bills.

359. Have those bills at all times been discountable?—I do not recollect any time, at least within my own time, when they have not been discountable; I do not remember a period of the kind.

360. What are the dates of those bills?—Two or three months.

361. Does your recollection furnish you with the causes which operated, in 1811, to produce the difficulty in the sale of the goods you have stated, and the consequent scarcity of money?—The principal difficulty was in consequence of the prohibitory laws made by France against receiving colonial produce from abroad.

362. Was the consequence a great fall in the price and value of those commodities?—An immense fall; from 1810 to 1811 I should think the fall was 50 per cent., I do not know whether I might not say 70 or 80, but at least 50.

363. What are the causes which generally operate in your market to produce a scarcity of money?—In our market we have particular periods, one is now coming on, when the West India merchants have their West India bills to pay, and their produce not yet brought to market, arrived and not landed, and so on; and for some time after that, there used, at the time I speak of, to be a very great demand for duties, that makes a very material difficulty.

364. The question more particularly refers to the periods to which you have alluded, of extraordinary interruption to the sales of produce?—I am not aware of any great interruption, except what I have mentioned; that interruption does not at present exist.

365. Do you not think mercantile interests are occasionally exposed to very great loss by the sale of their goods being precipitated, from not being able to raise money at the time when they want it?—No doubt they must, because the probability is, that that happens when there is a very dull sale; and he must make great sacrifices.

366. If the present usury laws were abolished, and individuals were not restricted from taking more than five per cent., would they frequently be willing to accommodate the mercantile interest, and prevent such sacrifice in the precipitate sale of the goods?—Decidedly so; in my opinion there would not be a want of money if it was not for the five per cent. interest.

367. How is that generally avoided?—With us the only way to avoid it is

by putting them into the hands of the broker; but the broker cannot always keep those goods: the broker must sell to employ his money again afresh.

368. How does the merchant avoid the usury laws in the course of his dealings?—I am not aware of any practice, or any attempt to avoid them; I am not aware of anything of the kind.

369. Does not the merchant frequently receive consignments of goods upon an advance of money, which without that advance of money would not go into his hands?—I do not know that merchants do; brokers decidedly do; they get the goods into their hands, and then they advance the money; it is not within my knowledge that merchants do.

370. Is it your opinion that an abrogation of the usury laws would permanently reduce or advance the rate of interest, as applicable to the line of trade that comes more immediately within your knowledge?—I do not think it would make any material difference; my opinion is, it would be to the advantage of trade, generally, if the usury laws were done away, for the reasons before mentioned, that a little more interest might induce the broker not to press the sale of the goods too prematurely.

371. Do you not think it would frequently happen, if the laws permitted a broker to charge above five per cent., that he would, in order to accommodate those who deposited the goods with him, sell stock or other property?—No doubt he would find money for them.

372. Might not cases occur in periods of great scarcity, when the rate of interest would advance to an exorbitant degree?—I think not; certainly not in my line of business.

373. The person wanting to borrow would always have the option of borrowing at the rate asked, or selling his goods; would he not?—Yes.

374. What is the usual length of credit given on West India produce?—On sugar, two months; cotton, three months and fourteen days; coffee, one month.

375. What is the rate of discount for ready money upon sugar?—At the rate of five per cent. per annum only; instead of two months' credit given to the purchaser, if the seller wants money of the buyer, the custom has been to charge at the rate of 70 days, and for this reason: if I sell sugar upon the common credit it is two months, but if I want to anticipate the sale by drawing on the purchaser, I must draw a bill at 70 days; and therefore the buyer of the goods says, "No, I will not let you draw, but I will give you the money," deducting 70 days' interest; some of the Jew sellers will charge 75 days.

376. What do you conceive to be the average rate of interest paid for ready money upon the sale of West India produce?—I know it is a doubtful point with many conscientious gentlemen, whether they ought to receive 70 days' interest; that is the reason why I declined mentioning the rate.

377. Do you think that is the rate generally paid for ready money upon the sale of other goods?—No; nor is it at the present time, nor has it been for the last six months on sugar; it was only during the times of scarcity; money is so plentiful at present, the buyers would be glad to take the sugars at two months.

378. As a broker, do you not always feel inclined to do as much business as you can?—I do.

379. You have stated that you lent money upon goods deposited with you, or that you granted acceptances when you had no money?—Yes.

380. You have also stated there has never been any difficulty in discounting your acceptances?—Not that I am aware of.

381. You also state that when those acceptances become due, if you cannot accommodate the borrower with the money, you renew those acceptances, and he gets the money again?—Yes.

382. Then how would the repeal of the usury laws assist you in giving more accommodation?—It would only assist in keeping the goods; more properly

speaking, the broker may say, I will not keep them for more than two months; I very seldom or ever do renew my bills.

383. Do you happen to know what has been the average commission charged for the last seven years by a bill-broker discounting a good bill at two months' date?—I do not.

384. At times of peculiar difficulty, have you ever heard it alleged as a general evil the existence of the usury laws, and that the repeal of them would have diminished the difficulty of getting money?—I cannot charge my own memory with hearing that any more than in general conversation, and that there would not be that difficulty in obtaining money if there were not the usury laws; with respect to our business in particular, there are very few where there is that difficulty in getting money, in one way or another, among merchants or brokers.

385. Have you formed any opinion of the average profits made upon capital in the mercantile world?—No.

386. Can you give an opinion as to the profits which may be made in your own line of business?—No, our line of business is so extensive; there are so many in it; some get little enough, and some more; it is impossible to form an average.

387. Do you think it would have answered to yourself, during the last twenty years, to have borrowed money at six per cent., to have employed in your business?—I do not know what to say to that question; our brokerage and interest go together.

388. Do you not think it would have answered to you, at particular times, to have given that rate of interest for six or twelve months together?—I do not think I should have found it worth my while, for six or twelve months, to have given six per cent.; certainly, individually I should not.

389. You have stated, that in the year 1811 great difficulties arose in the sale of goods, and that a depreciation of fifty per cent., in some cases, took place; is not the consequence, therefore, that by the diminished value of the representative of money, the goods, that that of itself would produce a scarcity of money?—It did produce a very material scarcity; so much so, that I recollect the exchequer bills were given on that occasion; and as proof how very shy the commissioners were of granting on produce, the issue of exchequer bills on produce was trifling in the extreme, because they did not know what to take it at; and therefore very large sums of that loan were obtained on personal security, though intended to be got on produce; the money being once obtained, goods rose very soon afterwards, naturally so, because there was not that pressure.

390. According to your experience, how is the market for goods affected by money being plenty in the market, or otherwise?—The price is materially benefited by a plentiful supply of cash in the market; it induces people to speculate very much.

391. Then this would be the case, even if the consumption of the goods were to remain the same?—Yes.

392. Do you suppose that to be a beneficial effect to the public, or merely to the person who has goods to sell?—Merely to the person who has the goods to sell; high prices can never be beneficial to the public.

Jovis, 14° *die Maii*, 1818.

John Irving, esq., in the chair.

Richard Preston, esq., a member of the house, examined:

393. You are a barrister and conveyancer?—I am.

394. Can you state to the committee the general bearings of the usury laws, as they relate to the high or low rate of interest?—That question seems to demand an answer to the point, whether there should be a fixed rate of interest,

or whether the rate of interest should be left at large, to be the subject of bargain between the contracting parties: a subject so ample, and which branches itself into so many considerations, requires great minuteness in distinguishing the different transactions which are affected by the rate of interest; in the first place, government, and the rate of interest upon the funded debt, must not be put out of view; secondly, the landed interests are materially affected by the consideration whether there shall or shall not be a rate of interest fixed by law; thirdly, it is to be considered whether society is in such a state that persons can be intrusted to make their own bargains respecting the rate of interest. With respect to government, that is a subject which would be best left to the consideration of the house and of government itself, observing only, it will be very obvious that loans of money, in a time of war and of consequent scarcity of money, must be materially influenced by the prevailing rate of interest of the day. With respect to the landed interest, nothing could be so injurious to them as to have the rate of interest without a limit; the value of land would fluctuate from ten to forty years' purchase, and even more; the mischief of this system is inconceivable to any, except those who have extensive experience on the subject; as a general proposition, it may be stated that land is incumbered to one-half of its value, by portions, legacies, jointures, mortgage debts, and other charges of that description, which are of a fixed amount, and several debts for which there is no fund for payment except real estate; and whenever sales should be compelled during a time when the rate of interest is high, and consequently the sale price is low, the person for whom the property is destined would, as the experience of the present day abundantly proves, be left with little or no part of that which was destined for the support of the principal member of the family; in consequence of the great fluctuation which has taken place in the value of land during the last five years, it will appear that many of the subjects of settlements, heirs, and so forth, for whom the principal bounty was intended, will find, if they are compelled to a sale, that there will be no surplus for them; but the value, or sale bill, will be wholly exhausted by the debts, portions, legacies, and other incumbrances of that description, created for the younger branches of families; besides, any system which shall occasion frequent changes in the relative value of landed property, with respect to the number of years' purchase at which lands will sell, governed as they are by the rate of interest of money, must be productive of great inconvenience, and will tend of itself, as a measure, to the deterioration of property of that description, and will render men far more reluctant than they are at present to invest their property on land. Commercial men are in a situation not equally exposed to injury from the fluctuation in the value of money, as it is governed by the rate of interest; their bargains are generally founded on speculation; the result of the speculation may be ascertained in a short time; and the merchant can easily judge whether it is for his interest, for that particular transaction, to give or to withhold the rate of interest which is demanded; in this respect he is very differently circumstanced from the landed proprietor, whose capital, being once embarked in the purchase of land, cannot be recalled; and from the nature of his property he must grant leases of some duration, and cannot vary the amount of his rent with the fluctuations in the value of money through the medium of the rate of interest; but even to merchants and to manufacturers it seems to be of importance that there should be a limit to the rate of interest of money, for all experience proves the parties can very easily make their contracts to reduce the rate of interest below the limit which is fixed by law; but when there is no rate of interest fixed by law, every contract becomes the subject of a separate and distinct bargain, and one which, in many cases, will be attended with difficulty and oppression; it will be the object of the lender, as an individual, to receive as large a rate of interest as he can obtain; it is of course the interest of the borrower to obtain the money at as low a rate of interest as possible.

In the metropolis, where transactions take place on a large scale, and where there is a habit of communication among bankers, and other men of leading character, there will be an understanding which will, in a great degree, fix the rate of interest from time to time; but how is this standard to be communicated to parts distant from the metropolis? how is it to govern transactions between one farmer lending money to another farmer, or a farmer lending money to a gentleman; or how is it to influence a man in a small town or village, from regulating the rate of interest on his loan to tradesmen and other persons who want the assistance of capital to conduct their private concerns? If a man must have money, the lender, unless he is very moderate in his views, will press upon the borrower as severely as he can, respecting the rate of interest; he will also (and this is very important) attempt to bind him to keep the money for a time much longer, perhaps, than it would have been convenient to the borrower to retain the money, unless the necessity of the moment compelled him to enter into that bargain: all experience has proved that usury is committed by men of the most rapacious character; men who have no feeling for the distresses of others: and the law seems, by its policy, to have endeavored to guard men against their own folly in borrowing money; it seems more particularly to have contemplated the situation of young men just entering into life, the sons of men of large property, having expectancies; and also of men given to speculation, by way of gambling, or to live in extravagance beyond their means; in point of fact, those are the classes of persons among whom usurious transactions, and annuity transactions, being the cover for usury, have taken place; men of this description will borrow money on any terms; content to gratify the moment, without looking to consequences. It would be very easy to recount instances drawn from actual practice, in which persons of this description have spent the whole value of their life estates, or of their expectancies, in the short compass of three or four years, through the medium of annuities. The mischief does not end with their ruin; it frequently implicates the whole family, and the eldest son, when he becomes adult, is sacrificed, by withholding from him any means of subsistence, as a measure of compelling him to concur with his father in redeeming the annuities and discharging the debts; but it is to the general policy of the law that Parliament would have its regard; and the simple question is, whether society will be conducted better under a fixed rate of interest, or under the law which shall altogether abrogate the rate of interest. That is a subject on which a great diversity of opinions may be and are entertained. The law, perhaps, may be said to have performed its duty, when it has done that which is right, either in fixing the rate of interest, or in declaring that there shall be no legal rate of interest for money. The rate of interest of money must be considered as one of the best and most certain measures of value. It seems to fix a point below which the value of property shall not degradate, and beyond which the capitalist shall not tax the industry of persons engaged in trade and commerce. If there be no rate of interest of money, it is hardly possible to conceive to how low a price the landed property of the country may fall in times of great distress. During the American war estates sold as low as ten years' purchase; but during the late war, in no instance which came under my notice did landed property ever sell at a lower rate than twenty years' purchase, as far as the parties understood the nature of the contract between them; for advantageous bargains arising from improved rents and other similar causes are not to be brought under this consideration; but ground-rents, houses, and the like species of property, which are purchased for the sake of income, suffered a great depreciation, and were sold, in many instances, at ten years' purchase; and property of this description is that of which the most frequent changes take place. If it should be supposed that no distress arises from annuity transactions, or high rate of interest, there must be a want of knowledge of the subject, because, if professional duty or delicacy would allow it, it

would be easy to enumerate a long list of families, of very considerable rank and distinction, and of very large property, who have been ruined, or nearly ruined, by this species of transaction. In fact, whoever understands the nature of landed property, knowing how it has been circumstanced in former times, must see that an immense revulsion would take place by the change of system which will put an end to the limit of the rate of interest. Persons who invest their money in the purchase of land seldom obtain more than three or three and a half per cent. for that money; although there were instances in which, during the last thirty years, from the great change which took place in the value of landed property, many persons are deriving a much larger rate of interest for their money; that is rather the effect of a change of system in agriculture, and from the great demand occasioned by the war, than from any expectations which the purchasers had a right to form; but looking to the landed interest at present as a body, it cannot be said that they derive an interest of more than three per cent. from their investment of money on land, and purchases made within the last ten years are more likely to produce a lower rate instead of a higher rate of interest to the purchasers. Now let the committee consider the situation of the fluctuation in the rate of interest, which will make six or seven per cent. the rate of interest of the day. A very short calculation would prove that the landed proprietor would very quickly be ruined by paying interest at the rate of six per cent., while he derived from the land, as the rent, only three per cent; and when it is considered, as it may be with safety, that the land is encumbered to the amount of one-half of its value, it would be found that the landed proprietor would, in effect, be incapacitated from borrowing any money on the security of the land when the rate of interest was high, say six per cent. It is always to be kept in mind, that the object of the laws against usury has been to fix a maximum to the rate of interest; and the general policy of this country, as is evident from the several acts of Parliament, has been from time to time to reduce the rate of interest progressively from ten to eight, then to six, and ultimately to five per cent.; and it is most likely that experience will prove that the change in the circumstances of the country, arising from the great increase in the funded debt and the expenditure of government, will render it imperiously necessary rather that the rate of interest should be reduced than that any means should be afforded by which the rate of interest may be advanced even occasionally. It must never be forgotten, that the object of the usury laws, which fix the rate of interest, is rather to provide for times of difficulty and distress than for times like the present, when money is abundant. In an abundance of money there is no difficulty whatever in obtaining it on terms which are reasonable; at the same time the rate of interest among bankers in London and on the exchange never forms the least criterion for the rate of interest on mortgaged securities. Looking also to the transactions of life, as they respect settlements on marriages and the wills of persons who are arranging their affairs, it would be impossible, with the rate of legal interest, as defined, to make reasonable and proper provisions for the rate of interest or maintenance which should be allowed to children during their minorities. At present such rates are generally fixed at four per cent.; but it would be extremely difficult to frame any provision which would be reasonable, without knowing what is the highest rate of interest at which the owner of the estate can obtain money. The price of schooling, education, &c., ought to fluctuate with the rate of interest allowed for those portions, otherwise the allowance would be either too high or too low. Besides, nothing is more important in a country like this than that the prices of everything should be kept as steady as possible, rather than be continually fluctuating. Most of the inconveniences which have been lately experienced have arisen from the fluctuation of prices. If it were in the power of man or of government to make everything suddenly change with the rate of interest, then it would be of no consequence what was the rate of interest; but inasmuch

as the rate of interest must first change, and as the change in the prices of other things will follow only at a distance, and in some articles at one time and in others at another time, these continual fluctuations must destroy the opinion which men entertain of the value of property; the price of labor, of provisions and of other articles, ought in justice to fluctuate, and must in effect fluctuate, with the change in the rate of interest. Particular cases may be put in which commodities may be cheap when the rate of interest is high. This very cheapness of the commodity may occasion a high rate of interest of money. It is a proof that there is too great a demand for money; that merchants and other persons who have property deem it more for their interest to withhold their property from sale, and pay a high rate of interest for money rather than to carry their commodities to a forced market; but this is one of the many circumstances which draws the line of clear distinction between the situation of merchants and manufacturers on the one hand, and of the landed interest on the other hand. Landed proprietors look to permanency, not to fluctuation and change; they buy as a provision for a family, and to keep the property for a series of years; while it is the business of merchants and others engaged in trade to change their property as frequently as they can to a profit, and to look at general results rather than to individual transactions. With them, in every loan, except it be for men in very distressed and insolvent circumstances, the mere question is one of profit or loss, whether the transaction in which they are about to engage will justify the rate of interest which they are required to pay; but the landed proprietor has made his bargain; he possesses the property before he is placed in the situation of knowing what rate of interest may be demanded from him as the price of the money he wants; or he may be in a worse situation; he may have succeeded to an estate greatly encumbered, and to pay a high rate of interest bearing no proportion to the rent would be ruinous in that mode; while to be forced to a sale during the period while interest was at a high rate would, by reducing the one, be still more injurious. However, he must ultimately sell of necessity, by reason of the high rate of interest of money, unless some fortunate circumstance should supply him with the means of discharging the debt he had contracted on the estate. It will also readily occur that the bargains of the most severity, respecting the rate of interest of money, will be negotiated, on the one part, by young men, extravagant tenants for life, or by persons having expectancies on the death of relations; and on the other part, with men whose whole system is that of rapacity. Men borrowing under these circumstances cannot obtain loans from bankers or from other regular dealers in money. With persons of this description they have no credit, because they have no punctuality. There is no hope, no certainty of a fixed time of payment. The persons are therefore driven of necessity into the hands of those who prey on them, from the difficulty of their situation, or from the necessities which they have created; and when once a man embarks in these annuity transactions, or becomes liable to pay a high rate of interest of money, it rarely ever happens that he extricates himself, but he goes on from year to year increasing the amount of his debt, and consequently the amount of his interest. It has generally happened that the very persons who have fed this class of the community with money have eventually been ruined by their own system. There is scarcely an instance of a fortune acquired and kept through the medium of these annuity transactions. In general, the party becomes a prey to those who dupe him with their expectations. About two or three years since there was in London as much distress as can well be conceived among those persons who had been in the habit of lending money on annuities. It arose in consequence of the default and declared inability of several persons in paying their annuities. It may be supposed that unless money can be obtained by those who want it at any rate of interest they may think fit to give, great inconveniences would arise; still, greater inconveniences would arise by suffer-

ing creditors to press on their debtors, and to make an increase of interest the price of forbearance. Till the American war, very few annuities had been granted. The distress at that period first gave them a greater extent than they had before experienced; and they experienced a still greater extent during the late war. But it would be singular to trace the very small sums upon the aggregate which have ever been advanced at annuity interests. On the best calculation I can form I should conclude that one million of money was never advanced in any one year at annuity interest, and that six millions of money were never owing at any one time on annuity transactions. I form this calculation from twenty years' experience, and having seen the greatest part of the transactions which have passed in the metropolis—and it has been to the metropolis, principally, that those transactions have been confined; and also from having, in some mode or other, been professionally engaged in the knowledge of a great part of the transactions of this description; at the same time, no point has ever been more wished by me than to discharge myself of engagements from transactions of this nature; but they have forced their way for the purpose of advice and otherwise, and more frequently in winding up the transactions of men who have been ruined in consequence of those annuities. While the annuity system shall remain in force, there is in effect a complete mode of evading the laws against usury; and if it be fit that men should be allowed to borrow money at a higher rate of interest than five per cent., the system of annuities will supply to every person who cannot obtain mony at five per cent. the means of obtaining it upon other terms, which may be called the market rate of interest among those who choose to employ their money in this mode. But in an annuity transaction there is this peculiarity, that the lender of the money has no direct means of enforcing the payment of the money he advances; contrivances, however, are now in practice by which this object may be and frequently is enforced, in order to prevent a ruinous sacrifice. Not many years since it was thought extremely disgraceful, by persons of respectability, to employ their money on annuity transactions; and even during the late war the number of persons of respectability who brought their money to that market was very few.

395. If the granting of annuities were to be rendered illegal, and if the usury laws were abrogated, would not persons desirous of borrowing upon landed and other security be enabled to borrow at a cheaper rate?—Experience alone can dictate a proper answer to that question. It is quite clear that during the times of peace, and when money shall be abundant, the rate of interest would be lower than five per cent. Every appearance raises the expectation that the rate of interest of money would be very low. Under the present system the rate of interest of money is likely to fall to three per cent. within two years. The reason seems obvious; the sinking fund alone must force fifteen millions of money a year into the money market, and the whole landed interest would not take up, in any year, on mortgage, money to that amount. Let this system go on from year to year, and it will be very evident that land will afford no demand for money on mortgage; indeed, previous to the commencement of the French revolution, when the sinking fund was less than one-seventh of its present amount, money was so abundant that it was impossible to obtain securities for money. Bankers and other capitalists were, by circular letters, seeking securities through every part of the kingdom without being able to obtain them; and offers were made of money at four per cent., and some at three per cent., with a contract to leave the money for twenty years; and when it is considered that the present amount of the funded debt, and the expenses of the establishment, exceed, according to the return to the property tax, the amount of the whole rental of the kingdom, it is quite clear that the quantity of money or circulating medium, which must be applicable to the purposes of mortgage, is infinitely beyond that which can be taken off by the landed interest; and unless a great revival of trade, or some other particular demand, should take up

the floating capital of the country, increased as it is by the amount of the sinking fund, it is evident to demonstration that the rate of interest of money must continually, during the peace, and with a prospect of a continuance of peace, be reduced. In short, at a period not far distant there will be no means of employing money, except upon public undertakings, as was the case previous to the commencement of the French revolution; but this is no reason whatever for repealing the usury laws; on the contrary, it is the very reason which, to my mind, urges the expediency of keeping them in full force. A change from peace to war would immediately invite the desire of calling in money, lent on mortgages and similar securities, for the purpose of the speculation in funded property. This would produce a great demand on the landed interest, and those who held money on loans. The war, together with the usual change in the value of money consequent on a war, would occasion a great and sudden transition from a low to a high rate of interest; and would force the landed interest again into that state of distress which was so generally experienced during the latter part of the late war, when no money on mortgages at five per cent. could be obtained. It may be supposed that after this change in circumstances money would still be left on mortgage if the borrowers would consent to advance the rate of interest. That is not the view I should take of the subject as a probable result. The temptation to call in the money is the expectation of a large increase of capital by employing that money in the funds, instead of employing it at interest on real securities; and it would be impossible for the landed interest to afford to pay that rate, which would be a compensation to the owners of money for the advantage which they could obtain in the funds, partly by the advance of interest arising from the war, and partly from the prospect of increased capital in the advance of the price of the funds.

396. Has it occurred, in your experience, that during the late war money has been lent at a higher rate of interest upon mortgage than five per cent. to persons seized of real estates in fee-simple, and other undeniable securities?—By way of mortgage, properly framed, the rate of interest cannot be higher than five per cent. without being usurious; but during the late war, in several instances, persons of the highest respectability and prudence, with immense clear rentals, seized in fee-simple, with unexceptionable titles, were, from the scarcity of money, necessitated to borrow, and actually did borrow money at the rate of ten per cent., by way of annuity upon three lives, or for years determinable on the death of the survivor of three persons; but the number of those persons was not so great as to justify me to say that the mode became a general system. It happened, principally, with persons who had contracted to buy large estates for convenience, and who could not obtain the money in any other mode; or it happened to persons engaged in trade or manufactures who were pressed for payment, or who, having advantageous speculations offered to them, chose to increase their capital by loans on these terms; and in some few transactions of regular loans of money at five per cent. large premiums were required by the persons who transacted the loan; and even report says that there was a practice among solicitors of requiring a premium of five per cent. for negotiating such loans. It may also be added, that the difficulty of obtaining money on mortgage was so great that few transactions of that sort were negotiated in the metropolis by way of loan. Most or all of the mortgages which were prepared were securities for debts previously contracted, and not securities for money actually lent, or were securities given to persons who assisted their friends in want of money, as acts of friendship, or as loans of stock.

397. You have stated one reason for the continuance of the usury laws was that, in case of a war, persons would be induced to call in their money on mortgage: will you explain to the committee how restricting the rate of interest upon money lent upon mortgage can induce persons to continue this money so lent?—Looking at the context of my answers, it will be found there is a misappre-

hension of their effect, or I am mistaken in the mode of expressing my meaning; there would be an equal right in one mode or the other of calling in the money. My object was to show, that by relaxing the usury laws, you increase the liability of the party to have a demand beyond five per cent. made on him; since a lender would use the advance in the value of money as a reason why the borrower ought to give, and might by law give, a higher rate of interest for money. But when the rate of interest is fixed, the minds of men are fixed to it. They consider it of no use to change to-day, with the prospect of having to look for a security to-morrow; they are therefore not in a situation to press for an advance in the rate of interest beyond five per cent. During the late war very few loans of money on mortgage were converted into annuities. Some few, but not many, mortgages for money were converted into loans of stock. But it is quite clear, from experience, that when money has been lent at a lower rate of interest than five per cent., and any change has taken place in the country, the lender very quickly forces the borrower to go to the highest rate of interest which the law of the country will allow. To those who are engaged in mortgaging titles, it will appear that when money has been at a low rate of interest, it is lent at five per cent., upon the terms of accepting a lower rate of interest if the payment be punctual; but as soon as the rate of interest of money advances, or, which is the same thing, money is in great demand, and the market price is five per cent., the liberty to pay the lower rate of interest will be quickly released, since the borrower will require to have the rate of interest fixed at five per cent., or the money repaid.

398. Then you think a man is more likely to leave his money upon mortgage when he knows he cannot raise the rate of interest above five per cent. than he would if he had the power of raising it to a higher rate?—I think he is much more likely, because, except under circumstances which promise him great advantage from calling in his money, he is more likely to rely on a security with the value and the title of which he has become familiar, than to be continually changing from security to security, for the sake of a small increase of interest, and thereby, in all probability, endangering his money; since he must be very fortunate if he can make frequent changes of his security, and not involve himself in some difficulty. Besides, the most embarrassed men, and men of the least punctuality, will be those who will be ready to give the largest rate of interest; and those are the persons from whom, in respect of their characters and circumstances, there is the greatest danger in accepting securities.

399. Does your experience give you any idea of the amount of money lent upon mortgage in Great Britain?—It must be merely a speculative opinion on which the answer is founded; I should suppose that about one-fourth of the whole landed interest is subject to a mortgage, either directly by way of loan, or indirectly by way of family charges.

400. From your knowledge and practice in the profession, when government were under the necessity of giving a much larger interest than five per cent. for a loan of money, do you know whether persons in general, who had money on mortgage, rested satisfied to allow their money so to remain at five per cent.?—There are two classes of persons lending money on mortgage; one class may be considered the females of families, who convert their portions into loans by way of mortgage; also of younger sons of families, farmers in different parts of the kingdom, and persons who have retired from trade. The other class may be considered bankers and other persons who speculate in money by way of employing it to the greatest advantage, and who watch the changes of the market with a most steady eye. With persons of the former description, few or no changes take place in loans of money; the money generally remains until it is wanted by reason of the death of the mortgagee, or until he wishes to convert his money into land, or to place out his sons in trade, &c.; but with the persons of the other class, money is continually called in on a change from peace to war.

From persons of the latter description it is quite of course to expect that they would continually be calling for a change in the rate of interest between themselves and the mortgagors, as often as anything like a steady price of the rate of interest could be fixed by the transactions of the metropolis. Of the same description, and it goes to a large amount, are the insurance offices, and other public bodies of that description, who employ their money during war in the purchase of funded property, and who, on the advance of the funds, and the consequent reduction of the rate of interest of money, are the first to seek securities on real property. This very system is one which, to my mind, argues the necessity, more than any other, of fixing a limit to the rate of interest of money; since persons of this class are, from the nature of their engagements, most likely to give a market price to the rate of interest of money, and to create that very advance and fluctuation which it seems so desirable to avoid.

401. Can you state the amount of money raised annually in Great Britain by way of annuity, and also by way of mortgage?—It will appear from the former observations that I consider that even during the late war, when most money was raised by way of annuity, it did not exceed one million in a year; with respect to mortgages, it is impossible to calculate the amount, since it is distributed over every part of the kingdom, and the greatest part of the mortgages are transacted by solicitors in the country, without the intervention of council in the metropolis; so that the transactions are numerous in a high decree, and are made up of an immense number of small amounts, prepared by different solicitors in the country.

402. In a great trading country, is it not essentially necessary there should exist the greatest possible facility of obtaining money by loans, discounts, or advances on goods?—It certainly is so.

403. Must not everything that deprives a man in business from perfectly free access to the money market contribute to narrow the productive power of the capital and industry of the country?—As a general proposition, the answer would be in the affirmative; but it does not follow that the end would be obtained by repealing the laws against usury; because there is scarcely ever a time, indeed there never is a time except during a long-protracted war, like that lately closed, in which persons who are fairly engaged in trade cannot obtain as much increase of capital as they ought to possess. Besides, the system of partnership provides a mode in which men of skill and experience may obtain an increased capital; and to open a rate of interest of money would be, in all probability, to throw the largest part of the trade and commerce of the country into the hands of speculators, instead of keeping it in the hands of those who have fair and proper capitals. It is by means of these speculators, in a great degree, that the rate of interest was raised during the late war; many of them went into the practice of selling bills of exchange by way of raising capital on them, and many contrived, through the medium of their backers, to obtain money at the rate of 10 per cent. without committing usury. The mode, well known, was for a man to apply to his banker for five or ten thousand pounds; to give his note for the sum by way of security at five per cent., but he never took from the banker by means of his checks or drafts more than half of the sum expressed in his note; thus he paid ten pounds per cent. per annum for the sum actually advanced.

404. Then, according to your opinion, the usury laws have not contributed to put down this system of speculation?—Certainly; during the last war, when so many opportunities offered for employing money in different speculations, and while money was so much in demand for the exigencies of government, means were found of evading the laws against usury; but through all time there has been a race between the possessors of money living in the metropolis, and dealing in money as an article of commerce and trade, to make the most of their money, and to carry it to the highest rate of advantage they can; and if the laws against usury were repealed, it would be found that there would be men

to supply money to any adventurer, and that the aggregate amount of such transactions would be so large as would give an improper influence to the value of money, and increase the market price beyond the fair and just proportion. I am quite aware that in other countries the rate of interest is not fixed, and that in those countries no mischief has arisen for want of laws against usury; but it seems to me that the temper of the persons in those countries must be very different from those in England. They are less disposed to embark in speculation. They have not that confidence in trade or commerce, to justify them to give such rates of interest as in this country must be ruinous. Indeed, in tracing the different bankruptcies which have taken place, it would be found that most of them have been occasioned more by the speculations which required immense sacrifices in the rate of interest, commission, and all those transactions which are connected with bills of exchange, than from any other cause; the total amount of charge, by way of interest, is so high on transactions of this nature, that nothing, besides some extraordinary good luck, could carry the borrowers through the system; and many of them have fallen sacrifices to it. Besides, this system of speculation, and borrowing money at a high rate of interest, cannot fail to be ruinous, as a general system, to those who embark in trade with fair and proper capitals, and who are content to derive moderate profits, including interest, in the conduct of their business; and, unfortunately, men of this speculative character would form a rate of interest for men who could not in prudence become their competitors in giving the like rate of interest. In short, it seems to me that any attempt to make money more valuable than it has been is to increase the evil of a system which has been followed too long; is to make money too valuable, when compared with rental of property, industry, &c.

405. May it not be collected, from the general tenor of your evidence, that your opinion is, that the present system of usury laws is very defective, and that some change is necessary?—A general answer to this question would not express the sentiments I entertain; the present system is one which never has done great mischief, compared to a system which would take away the limit to the rate of interest; it sometimes could be regulated, the principal mischief to the landed proprietor would be obviated; but the commercial interest would, in the time of war, require some system which would make such transactions as those stated amenable to the law. It is quite clear that the system admits of improvement: but that improvement seems to me to be, most strictly to enforce the laws which fix a limit to the interest of money, and to prevent, as far as human wisdom can prevent it, the evasion of those laws.

406. Let the course and consequence be what it may, do you or do you not think that the doing away the present restrictive laws would be beneficial?—Certainly, most injurious to the great mass of the people.

Lunæ, 18° *die Maii*, 1818.

Mr. Serjeant Onslow in the chair.

Sir Samuel Romilly, a member of the committee, further examined:

407. Do not cases of great hardship frequently occur to the holders of bills of exchange, and other negotiable securities, from pleas of usury being set up in the original form of the bill, by those who would otherwise be liable for the payment thereof?—Cases of that kind, of great hardship and injustice, sometimes occur; it is impossible for the person who discounts a bill, in many cases, to know what the consideration was that was originally given for it; and yet it is perfectly clear, that if it can be proved that the bill was given for an usurious consideration, it is void in the hands of an indorsee, although he paid a full con-

sideration for it, and had no notice at the time when he paid the consideration that the bill or note was effected by usury.

Nicholas Waring, esq., called in and examined:

408. You are a native of Holland?—I am.

409. Have you been engaged in any mercantile transactions in that country?—I have not.

410. In what line of business have you been concerned in that country?—In none whatever: in fact, I have been but little in that country after my education was finished, except having resided there for two years after my travels.

411. Have you studied the laws of that country?—I have; namely, the laws under the old government; but lest I should disappoint the committee, I beg leave to add, it was not with the particular view of practicing at the bar, but only as forming a part of a college education.

412. Have you had any opportunity of knowing the rate of interest at which money is lent in that country?—I have; from having been acquainted with particular transactions, and from general report.

413. Are there many laws which regulate the rate of interest in that country?—There are.

414. Do they relate to mercantile transactions, as well as to loans upon real security?—Mercantile contracts are not subject to the laws against usury; but where no rate of interest has been agreed upon, the courts of law will decree no more than five per cent., and in some parts of the United Provinces only four per cent.

415. Does that regulation attach to mortgages or to simple personal security upon bond or note?—It attaches to any sort of contract; but it appears that formerly a higher rate of interest used to be adjudged, when the lender had no pledge than when he had.

416. Is it a common practice to borrow money upon bond or note in that country?—Upon bond, it certainly is; as to a mere note of hand, I cannot state positively, but I think it is not very common; money is frequently borrowed on deposit of the bonds of loans to various governments, contracted for in Holland.

417. At what rate of interest?—There is no fixed rate for those transactions.

418. You have stated that there is a limit which the law fixes, in certain cases, to the rate of interest in Holland: is that law put into strict effect?—Money has been so cheap in that country, on loans of any duration, for more than a century, that there can hardly have been an opportunity for the law to take effect; but I think if the market rate had risen above the legal rate, the law would have been put in force.

419. Has not the rate of interest in Holland, within the last 20 years, fluctuated as high as from five to ten per cent.?—I think it has been at times so high; but it is merely from my mercantile correspondence I can speak to that fact.

420. How, then, does it happen, if there be a statute rate of interest, that it has been constantly evaded?—I understood the preceding question of the committee to have alluded to mercantile transactions, and they were not included in the laws against usury.

421. When mercantile interest has been at so high a rate as that which is supposed to be the fluctuation from five to ten per cent., has money been obtainable at a cheaper rate upon mortgage or other real security?—I should be difficult to state it as a fact; but as a matter of opinion, I have no doubt that during those periods loans upon real security have been at or below five per cent.

422. If no rate of interest is agreed upon between the parties, what is the rate of interest given by the law?—Of late (meaning always under the old government) I understand four per cent. would have been allowed.

423. You were speaking of the practice, and not of the law at present?—No; I alluded to the law in its kind, of which I feel myself more competent to speak.

than of the practice of the courts; and there may have been late decisions which I am not acquainted with.

424. Are you acquainted with the practice of discounting bills in Holland?—Merely from conversation with merchants since I have been in trade.

425. Do you not believe that bills of very various degrees of responsibility circulate in Holland as they do in this country?—I have no doubt of it.

426. Do you know whether the best bills and those of an inferior description are discounted at the same rate of interest?—I have understood they are discounted at various rates, differing very much according to the bills and according to the responsibility of the parties.

427. Has it occurred to you to know whether the great fluctuation which has at times taken place in the rate of interest in Holland has not produced great inconvenience in the mercantile class of society?—I have heard of inconvenience at such times, but I must add that I have always understood the fluctuation of the discount to have been greatest whenever trade was least flourishing; therefore it would be difficult for me to form an opinion whether the convenience must be attributed to the stagnation of trade, or to the fluctuation in the rate of interest: in point of fact, whether that fluctuation was the cause of the inconvenience, or merely one of the effects of that stagnation.

428. Are you acquainted with the rate of interest in other great commercial places on the continent of Europe?—But very little, except it be with Hamburg; there, I understand, the variation has often been very sudden, and goes to great extremes.

429. What are the causes of these variations?—It can be mere matter of opinion with me. I should think in Hamburg it must originate in its being a small and insulated community, with an extensive foreign trade, but without sufficient internal resources to make up for sudden changes in the circulation or in the amount of the floating capital wanted for discounts. On the contrary, in an extensive state, if there be a considerable influx or efflux of money, it will be sufficient; the various branches of inland trade should either yield a small proportion of the capital employed in them, or take up somewhat more than they usually do to weigh against the temporary superabundance or deficiency in the capital wanted in the foreign trade. Indeed, in an extensive state, there will always be some branch of industry flourishing, while another is languid. At any rate, I think the sudden changes in the rate of discount are not, of necessity, a consequence of the rate of interest being free.

430. In speaking of the circulation as to Hamburg, you refer to bank money only?—I do refer to bank money only.

431. Are you acquainted with the nature of the trade and with the value of money in the other Hanse Towns?—I am not.

432. How many years have you resided in this country?—Fourteen years, during which time I have carried on business in London.

433. In the course of your experience, has it occurred to you to become acquainted with the statute of usury, and if so, will you be pleased to state to the committee your opinion with respect to its influence upon the trading and commercial interests of the country?—I have made myself acquainted with the laws against usury. Whenever they are not nugatory, in consequence of the low market rate of interest, I think them in every respect detrimental: they certainly must raise the rate of interest.

434. Why?—Because, whenever the market rate is above the legal rate, the lender must be paid, in addition to that market rate, a premium for his risk consequent on a breach of the law, and for the opprobrium attaching to lending money above the legal rate.

435. Would it not happen that if there was no limitation to the rate of interest, in times of great distress, the less wealthy class of traders would be subject to pay exorbitantly for the accommodation of money?—I apprehend no such consequence; in the United Kingdom, where the science of circulation

may be said to have been brought nearly to perfection, where hoarding is out of the question, and all the floating capital is endeavoured to be beneficially employed, whenever it may be done lawfully, I think there would be neither sudden nor great changes in the rate of interest if left to itself. That which happens now, when money is below the legal rate, would happen then, at whatever rate interest might be; namely, it would find its level in a very short time, almost from one extremity of the country to the other, whenever any lasting prospect of benefit offered. Those short fluctuations, which can only affect mercantile paper, would be too much under the beneficial influence of the discounts of the Bank of England to do any great mischief; yet it were better for the trader to be always certain of getting his paper discounted at some sacrifice, than to be obliged to fly to the underhand dealings of such money-lenders as are now unintentionally favored by the laws against usury. Permanent loans would still feel no inconvenience from those sudden changes, for the lender, who looks to an uninterrupted and well-secured investment for his money, would not easily call in a loan, merely because mercantile paper were discounted at the moment a per cent. higher than the interest he obtains. As the law now stands, whenever the market rate is above the legal rate, I think very large sums must necessarily be left idle in the hands of men unwilling to be usurers, and constantly expecting, though continually disappointed, of finding better employment for their money than lending it out at five per cent.

436. Are not the holders of goods frequently driven to sell them when there is little demand, and at low prices, from the impossibility of borrowing money, and which they might obtain at a higher rate of interest, was it allowed?—I am convinced it is often the case; merchandise, in the hands of needy sellers, is frequently offered for sale, for instant payment, much below the market price; no doubt, merely to raise money.

437. Does it come at all within your knowledge, or have you received information from others, so as to lead you to entertain a strong belief of the fact, that it frequently happens that persons possessed of goods are incapable of borrowing money at legal interest, and compelled by their necessities to place those goods in the hands of another merchant, borrowing money from him at five per cent., and making up an extra advantage to him by allowing him a commission on the sale of the goods?—I know that such transactions have frequently happened.

Mercurii, 20° *die Maii*, 1818.

Mr Serjeant Onslow in the chair.

John Tunno, esq., called in and examined:

438. You are a merchant?—Yes.

439. Have you seen any inconveniences arising to the mercantile world from the laws which restrained the interest of money in ordinary times?—Yes, I have.

440. Have you seen those inconveniences also in other times?—Very particularly so.

441. Do you not think that when the market rate of interest is above five per cent. considerable inconveniences arises in the mercantile world from persons not being able to borrow money?—Yes, certainly.

442. You conceive that great inconveniences does arise in particular instances?—Yes; it came within my own knowledge in one particular instance, when I was desirous to serve a commercial house by lending them and doing their business in London, whose late house have realized; and I did advance them money to a considerable amount upon the security of bills of lading; the business actually passed through my hands and when it was closed I was informed, upon taking the advice of counsel that a case my friends and I

had assisted, should hereafter become bankrupts, my charge of commission for transacting the business would be considered as exposing me to the usury laws; upon which opinion, as well as from what I heard from others, I abandoned my whole charge of commission, and received back my money, with simple interest.

443. Has that occurred in similar instances, from giving assistance?—Yes.

444. Have you found the operation of these laws to be injurious to the commercial world?—In my opinion they are so, as I certainly think that they prevent persons from lending assistance to one another in times of distress, since they cannot with safety claim commission for their management of the business.

Swinton C. Holland, esq., called in and examined:

445. You are a partner in the house of Messrs. Baring Brothers & Co.?—I am.

446. Are you acquainted with the state of the laws regulating or restraining interest in the various states of the continent of Europe?—I conceive I have a general idea of it, without being able particularly to define the law of each country.

447. Do you know whether there are any usury laws for restraining the rate of interest in Holland?—I think there is a law in Holland to restrain the rate of interest.

448. Do you conceive that law to be a written ordinance, or merely a customary law?—I conceive it to be a written ordinance. I think that the last law that was promulgated in Holland was the Code Napoleon, which is continued to the present time. By the Code Napoleon, for what are called transactions civil, understanding by transactions civil the case of mortgages, &c., &c., five per cent. is allowed, and six per cent. on commercial transactions; but I believe these laws are no longer regarded in commercial transactions, and that the rate of interest varies according to the abundance or scarcity of money.

449. Do you know whether, previous to the Code Napoleon, there was any written ordinance regulating the rate of interest?—I believe there was a written ordinance, regulating the rate of interest, previous to the Code Napoleon. I think the written law, previous to the Code Napoleon, limited the rate of interest to 6¼ per cent.; but I rather imagine that was confined to transactions in real property.

450. Do you know whether there are any laws restraining the rate of interest in the Hanse Towns?—In Hamburg there are no laws against restraining the rate of interest, and in the other towns I do not find that any such laws are acted upon.

451. You have stated that the discount upon bills in Holland fluctuates according to the abundance and scarcity of money; are not first-rate bills discounted at a lower rate of interest than those of an inferior quality?—I conceive that must undoubtedly be the case; but I do not know it to be the fact, because I never resided in Holland.

452. Has it not happened, that in drawing bills upon a foreign country, merchants of an inferior credit negotiate their bills upon worse terms than those of merchants of more undoubted responsibility?—I should conceive that was the case everywhere.

453. Do you not think that if the discount of bills in this country fluctuated very much, the same thing would happen—that is, that inferior bills would be discounted, though at a higher rate of interest than first-rate bills?—I conceive they certainly would be discounted in proportion to the decree of credit which the house enjoyed, but that that decree of credit would not fluctuate much more than from one-eighth to one per cent.; the general rate of discount in Holland is from four to five per cent., and occasionally from three to three and a half per cent., but very seldom lower; during the revolution it has been

at six and seven per cent., and even at eight, but this has been generally owing to some forced financial operation on account of the government, and has never been of long duration; the average rate since 1794, in Amsterdam and Rotterdam, has generally been about four per cent.; the following is the average rate of Amsterdam and Rotterdam, from 1795 to 1817:

1795, 4, 4½, 5, 6; 1796, 4, 4½, 5, 6; 1797, 4, 4½, 5, 5½, 6, 9, 12; 1798, 4, 4½, 5, 6; 1799, 3, 4, 4½, 5, 6; 1800, 4, 4½, 5, 6; 1801, 4, 4½, 5, 6; 1802, 4½, 5, 5½, 6; 1803, 4, 5, 5½, 6; 1804, 4, 4½, 5, 5½, 6; 1805, 4, 5, 5½, 6, 9; 1806, 4, 4½, 5, 5½, 6, 9; 1807, 4, 4½, 5, 6; 1808, 4, 3½, 4½, 5, 6; 1809, 4, 4½, 5, 6; 1810, 4, 4½, 5, 6; 1811, 3, 3½, 4, 5; 1812, 3, 3½, 4, 5; 1813, 3, 3½, 4, 5, 6; 1814, 4, 5, 5½, 6, 6½, 7; 1815, 5½, 6, 6½, 7; 1816, 5, 5½, 6, 6½, 7; 1817, 5, 5½, 6.

The Bank of Amsterdam never discounts at a higher rate than five per cent., and the act of incorporation of the bank prohibits them from so doing; but they discount at a lower rate, and vary their discounts according to the abundance and supply of money; never exceeding five per cent., but occasionally at a lower rate; seldom, however, below three per cent., although they have discounted their own acceptances at two and a half.

454. Have you any information on this subject which you could give to the committee with regard to Hamburg?—I believe that no law exists in Hamburg against usury; if there is a written law it is obsolete, and not practiced or enforced; the rate of interest varies according to the scarcity or abundance of money; it has been seven, eight, and even at ten per cent., and in the year 1799, when there were so many failures, at 14 per cent.; but all this was the effect of momentary circumstances, as whenever more than four per cent. can be made for money, it generally flows in from different quarters; the present rate is about five per cent.; the Bank of Hamburg is one of deposit, and does not discount, but merchants generally charge, in accounts current between one another, five per cent.

455. Can you assign any reason to the committee why the fluctuation of discount is so much greater in Hamburg than in Amsterdam?—I conceive Hamburg to be a more general market for money transactions than Amsterdam, and that it is more a pivot upon which money transactions turn than Amsterdam is.

456. Do you not conceive as the Bank of Amsterdam is in the habit of constantly discounting good bills at five per cent., that that is the material reason for the fluctuation in the rate of discount not being so great in Amsterdam as in Hamburg?—I conceive that the Bank of Amsterdam, by not discounting at a higher rate than five per cent., must have a considerable effect in keeping down the rate of interest at that place.

457. In times of great pressure in Hamburg, when the rate of discount fluctuates as high as 14 per cent., must not that occasion very great individual inconvenience to those persons who are obliged to pay so dear for the money?—I conceive it creates both inconvenience and benefit; if they did not raise it by discount, they must raise it by some other method perhaps more injurious to themselves than paying the high rate of 14 per cent. discount.

458. Do you conceive that the average rate of interest in Holland, where there are no laws restraining that rate, is higher than in other countries?—Certainly not.

459. Do you believe that there are more bargains, which would be called of an usurious nature, that is of an impressive nature, in those countries in which an interest far above the true market rate is charged, than in other countries?—As a matter of opinion, certainly not.

460. Are you acquainted with the rate of interest in other countries than what you have stated?—I am acquainted with the rate of interest of the chief commercial towns; at Leghorn, the customary rate of interest is half per cent. per month, or six per cent. per annum; but there is no law to prevent the taking a higher rate of interest in mercantile transactions, and the discount averages

from five-eighths to three-quarters per cent. per month, according to the abundance and scarcity of money, and the employment that occurs for it; there is no bank at Leghorn, but merchants usually charge in their accounts current six per cent. per annum. At Genoa the legal rate of interest is four per cent.; but the common charge of merchants is five per cent., and no law exists against taking a higher rate; I mean by a legal rate, what is customary when no agreement has been particularly made; there is no bank at Genoa, the old institution of this nature having ceased its operations; at Cadiz, and in Spain in general, the ordinary rate of interest is six per cent., but no law exists against taking a higher rate, and it seldom varies or rises above seven per cent.; the usual interest charged in accounts current between merchants is six per cent.; in Portugal, or Lisbon, the legal rate of interest is six per cent., but frequently a larger interest is taken, although this is contrary to law; the merchants charge six per cent. in accounts current; in France and Paris, by the national code, five per cent. is declared to be the legal interest, in affairs of real property, and six per cent. in commercial affairs; parties taking higher interest are subject to fine and imprisonment.

461. Is the fine definite or indefinite?—It is definite; there is a bank at Paris called the Bank of France; in 1815 the Bank of France discounted at four per cent. requiring three names on the bills discounted; at present the rate of discount is five per cent.

462. Is it the established rule of the Bank of France never to discount at a higher rate than five per cent?—It is; in Russia the legal rate of interest is six per cent., but the law is constantly evaded, and the rate of discount varies according to the abundance or scarcity of money; but Russia being a country capable of great improvement, and the ordinary demand for money great, the rate of interest is generally much higher than the legal rate; the Imperial Bank of Commerce was established at St. Petersburg, by an edict of the 7th of May, 1817; the nominle capital of this bank is thirty millions of roubles, and it is established on the principle of a bank of deposit, as well as discount; the rate of discount is declared to be neither permanent nor limited, and the rate cannot be fixed for a longer period than fifteen days; but the whole board of directors, united in full sitting, are to deliberate every fortnight on the rate of interest to be fixed for the discount of bills of exchange and obligation, and their decision is to be approved by the minister of finance. Merchants usually charge in account current at the rate of six per cent. per annum. At Trieste and in Austria the legal rate of interest is six per cent.; but the interest at Trieste varies from 6 to 12 per cent., according to the abundance and scarcity of money. At Malta the customary rate of interest is 6 per cent., but during the war the interest rose, according to the demand for capital, from three-quarters to two and a half per cent. per month, without any evil being experienced from it, as the borrower would not have borrowed if he could not have made more by the use of the money than what he paid for it. In the United States of America the rate of interest established by law varies in different States; the ordinary rate is 6 per cent., but bills are constantly in the market, and discounted at the rate of from three-quarters to one per cent. per month.

463. Can you state to the committee in what manner the evasion of the usury law is practiced in the United States of America?—I can state that the evasion of the law is so common, that although it exists, and may be put in force, yet, in point of fact, so far as it relates to mercantile transactions, it must be considered as nugatory; but America being a new country, with abundant opportunity for the employment of capital, money is always in demand, and bears a higher rate than the legal rate. The Bank of the United States has a capital of 35,000,000 of dollars, and they cannot discount at a higher rate than six per cent. per annum. The Bank of the United States has also branch banks, established in each town of any consequence, which discount at their respective

places on the same footing as the mother bank. In addition to the national bank and the branch banks, a variety of banks incorporated by each State are established at every town of any importance; the rate of discount is the same with them all, viz., six per cent. per annum.

464. Can you state to the committee any reason why the discounts in the United States should fluctuate from $\frac{1}{2}$ to $\frac{3}{4}$ per cent., and at a higher rate, when the banks which you have mentioned discounted at $\frac{1}{2}$ per cent.?—Because the banks will not discount beyond a certain amount for any one house; and the demand for capital is so great that merchants are induced to pay a higher rate of interest for what they borrow from other sources.

465. Are you acquainted with the state of Ireland?—I have no particular information with regard to Ireland.

466. Has your attention been called to the effect of the usury laws on the commercial world, in times of pecuniary distress?—I do not know that it has been particularly called, in times of great distress; but I have occasionally turned my attention to the subject.

467. Will you communicate to the committee what has been the result of that attention?—Custom has fixed a certain rate of interest in different countries, varying according to the time and period of the laws being established; money is like any other commodity; if the supply is abundant, and the means of employing it difficult, the rate of interest will be lower than the customary rate; if, on the other hand, money or capital has full means of employment, the commodity becomes scarce, and is worth more to the proprietors than the customary rate; but in a country where capital is abundant in ordinary times, the rate of interest will generally be below the customary rate; and in such countries, it is only in war, and while some extraordinary financial operations are pending, that the rate rises above the customary price. A borrower of money has frequent opportunities of gaining 10 or 12 per cent., which opportunities are not known to the lender; so that a man can afford to pay six per cent. (or any given rate) for money, more than the legal interest, and still derive a profit from the money he has borrowed; this is advantageous to all parties in a commercial country like England: as, for instance, the English banker lends to the English merchant at five per cent.; the English merchant lends to the foreign merchant at eight per cent.; and the foreign merchant, in his own country, where capital is much demanded, finds he can obtain 10 or 12 per cent. for the use of the money. Each of these parties obtains a profit on the capital circulated; this nation is benefited by the circulation, and gains that which its subjects receive, in a political point of view; and the foreigner is benefited by borrowing capital to employ in his own country, where it is wanted, at eight per cent., where it is worth to him 12 per cent. The capital is not lost to this country, because the English merchant will not lend his money for a longer period than he finds it convenient to himself to do, and it returns to him when he requires it. But as the English law stands at present, no contract can be made in England to lend money to either native or foreigner, at above five per cent.; of course, the English law is opposed to general circulation, and the distribution of capital, and prevents British subjects from adding to the capital of the country, by the justifiable gain which they might obtain in the employment of their capital. The same argument applies to the distribution of capital in our own country, in extraordinary times, when capital is worth more than five per cent. In the metropolis money is always more abundant than in the country, and there are more dealers in it, whose sole trade is in money. These capitalists find they can get five per cent. close to their own doors, and they will go no further for it; but at the same time, at Manchester and other trading towns, money is worth to the manufacturer seven per cent.; because with the money he borrows at seven per cent. he finds he can make goods which he can sell immediately to a customer, a foreign merchant, at fourteen per cent. profit. The Lon-

don money-lender would thus gain two per cent. extraordinary, by letting his money go to Manchester; and the manufacturer would gain seven per cent., and employ the industry and labor of the country; the foreign merchant carries his goods to a market known only to himself, where he gets twenty per cent. benefit by them, and all parties are benefited. But the English law prohibits this, and thus does an injury to the country at large, by preventing the increase of individual capital. I beg to add, that the mode, term, and rate of interest I state merely in order to place the position in the light in which I wish the committee to understand the argument; but I believe the principle to apply to all places. The above account will not apply to the present period, because, capital being abundant, and no extraordinary demand for it, the borrower finds no difficulty in obtaining it at five per cent., or under. The laws against usury drive men in distress or in want of money in this country to much more disastrous modes of raising money than they would adopt if no usury laws existed. The land-owner requires capital to increase his live stock, or improve his land, or for any other purpose, at a period when the government is borrowing money at above five per cent., or when the funds give a greater interest than five per cent. no one will then lend to the land-owner, because his money is worth more to him than the law allows him to take; the land-owner must, therefore, either give up his improvements, or borrow money on annuity interests, on much more disadvantageous terms than he could have done if no law existed against usury. The man in trade, in want of money for an unexpected demand, or disappointed in his returns, must fulfil his engagements, or forfeit his credit. He might have borrowed money at six per cent., but the law allows no one to lend it to him, and he must sell some of the commodities he holds at a reduced price, in order to meet his engagements. For example, he holds sugar which is worth 80*s*., as his neighbors are selling theirs of the same quality at that price to their regular customers, and he would be able to do the same were time afforded him; but he is compelled to sell it immediately at 70*s*. to the man who will give him cash for it, and thus actually borrows money at 12½ per cent., which, had the law allowed him, he might have got from the money-lender at six per cent. It is known to every merchant that cases of this kind are common occurrences in every commercial town, and more especially in this metropolis. A man in distress for money pays more interest, owing to the usury laws, than he would if no such laws existed, because now he is obliged to go to one of the disreputable money-lenders to borrow, as he knows the respectable money-lender will not break the laws of his country. The disreputable money-lender knows that he has the ordinary risk of his debtor to incur in lending his money, and he has further to encounter the penalty of the law, for both of which risks the borrower must pay. If no usury law existed, in common cases, and where a person is respectable, he might obtain a loan from the respectable money-lender, who would then only have to calculate his ordinary risk and the compensation for the use of his money.

468. Do you conceive that the enterprises of individuals in this country are generally cramped from the want of a general facility of borrowing money?—I conceive that the enterprises of the country would be increased by an increased facility in borrowing money.

469. Do your observations as to the inconvenience of the usury laws refer particularly to the difficulties which they throw in the way of procuring money in times of great pressure, or in ordinary times?—I consider the usury laws as an inconvenience at all times, and do not refer particularly to times of great difficulty.

470. Is it at all a common remark in this country that men of prudent conduct are prevented from advancing in the world owing to the restraint imposed upon them in getting money in consequence of the usury laws?—I have no heard that remark.

471. Do you not think that the average mercantile profit in this country is such as to enable the merchant to pay six per cent. for money?—I conceive that no prudent merchant will borrow money at any rate of interest, whether at three or at six per cent., without he has the prospect of employing it to greater advantage. It is difficult to state what the average rate of profit in this country is, trade being divided into such a variety of branches; but I do not think that a prudent merchant in general, in peaceable times, calculates that he can afford to pay six per cent. for money borrowed permanently. For the last twenty years I think he might have borrowed capital to advantage at six per cent., but not for the last three years.

472. Great Britain and Ireland being united, is it your opinion that the usury laws operate to the disadvantage of Ireland as well as of Great Britain, and why?—I consider that if no usury laws existed a more equal distribution of capital would take place in Ireland; and Ireland being not arrived at the same state of cultivation and general improvement as England, I think that it would be to the advantage of Ireland to have a greater quantity of capital employed in that country.

473. Do you think that if the usury laws were done away, it would have that effect that capital would go to Ireland?—I think it would have that tendency.

474. At periods when the government has occasion for loans of money might not the abrogation of the usury laws produce great inconvenience?—I do not think it would, because during the war government were constantly breaking the usury laws themselves.

475. Do not these breaches of the usury laws, by enabling government to borrow at a higher than the legal rate of interest, give them the monopoly of the market, and thereby enable them to procure money when individuals could not?—In this country, where the abundance of capital is so great, and where the desire of lending to government is so conspicuous, government, in my opinion, would always have the preference as borrowers.

476. Then, as the government has no competitor in the market at the higher rate of interest, does it not therefore obtain a preference which it would not otherwise have if there was no restraint upon the rate of interest?—It has the preference certainly; but as the security of government is always better than that of individuals, they would still obtain money at a more advantageous rate than individuals can.

477. Do you consider that government has the monopoly of the market when so many means are constantly resorted to of obtaining a higher interest than five per cent., such as borrowing upon annuities, on continuation, and commission?—I do not consider that government has the monopoly of the market. In an old, rich country like this there is a division of capital as well as of labor in different branches of trade; one set of capitalists employ their capital almost exclusively in operations of government securities and with government, and that capital is not much diverted into other channels.

478. From the consideration which you have given to this subject is it your opinion that the usury laws are susceptible of amelioration by change, or that they ought altogether to be done away with?—I think that they are susceptible of amelioration by change, because when an evil exists in an old country you cannot do away with it all at once, but must remove it by degrees, in order to be beneficial to that country; but if the country was in an earlier stage of progress, I should consider any laws relative to usury as injurious in their effect.

479. In the view which you have taken of the subject do you think that there is any revision which could be advantageously made with regard to the laws as applicable to real property, and as applicable to commercial and trading transactions?—I have no doubt of it.

480. You have stated that you consider the existence of the usury laws in

this country at all times inconvenient. In your view of the case, do you not consider that that inconvenience applies with particular force in times of great pressure?—Certainly.

481. Do you consider that at such times persons would get relief who do not now get relief in consequence of the existence of the usury laws?—I do.

482. Do you conceive that the money which persons would be inclined to borrow at such times is for the purpose of enterprises in trade, or for the purpose of saving their own credit?—For the purpose of saving their own credit.

483. Then you do not conceive at such times that the enterprises of the country would be materially advanced by the abrogation of the usury laws?—I conceive there might be some men in those times that would borrow money with the view of making speculations or of commencing new enterprises which occur to them from the very circumstance of the distress.

484. Does it exist within your knowledge that in times of great pressure it has been impossible to discount good and unexceptionable bills at five per cent.?—It does not; but I do not think that I have been in England in times which would be considered times of great pressure.

485. In times of great difficulty in foreign countries—for instance, in Hamburg, where the rate of interest is, as you have stated, at such times as high as fourteen per cent.—do you conceive that the pressure is diminished there, or rendered less durable than in this country, where persons are not authorized to borrow money at such a rate?—I consider that it is diminished and less durable in Hamburg.

486. Does that arise from the non-existence of the usury laws, or is it from the different circumstances of the two countries?—It may be supposed that both have an effect.

487. Have you ever heard it a matter of remark that this country, as a great commercial country, was subject to inconveniences in consequence of the existence of the usury laws, which place it in a disproportionate state of competition with foreign countries?—I cannot call to my recollection that I have heard that remark made.

488. Do you not think that merchants, manufacturers, and tradesmen of small capital would be more benefited by the repeal of the usury laws than the great capitalists?—Yes, I do; because I conceive that the small capitalists and persons of the description mentioned have larger profits than what the larger capitalists enjoy, and therefore that they can afford to borrow at a higher rate of interest than what the larger capitalists can, because they receive more for the use of their money. I have before stated that in my opinion no persons possessing common sense will borrow money at any given rate of interest without they can obtain more for the use of the money than what they pay for it.

489. Do you not conceive that in times of distress small capitalists are more likely to be affected in their credit by the operation of the usury laws than large capitalists?—Certainly.

490. The remark you have made the committee supposes to apply to the smaller class of merchants and manufacturers throughout the country?—Yes; to the smaller capitalists throughout the country.

491. Is not the present principle upon which the bankers established throughout the whole of England proceed to give every fair accommodation to those persons in their neighborhood who apply to them for the discount of bills?—I have understood that they do.

492. Then in those districts how would that class of persons obtain relief by the abolition of the usury laws, which they cannot procure at present?—By the competition of bankers, or from money-lenders, as it would turn more capital into that channel if the interest became exorbitant.

493. Do you conceive that the circulation throughout this country has been unnaturally limited in recent times owing to the existence of the usury laws?—That is a point to which I have not turned my attention.

494. Are you aware whether difficulties have occurred with respect to advancing money to houses in distress, on the security of goods, by other houses resident in the same place, in consequence of doubts being entertained as to the legality of charging commission?—I am aware that such cases frequently occur in times of distress; and I am also aware that beneficial cases frequently occur of advancing money to foreigners on satisfactory security, by which the houses who make the advances in this country would be much benefited, and I believe the foreigner also; but which transactions have been prevented by the impediment thrown in the way of carrying them into execution by the operation of the usury laws.

495. Are not the minds of commercial men frequently much distracted by doubts upon what is usury and what is not?—The minds of mercantile men are continually distracted on this subject, and I believe that the minds of the legal men are also equally distracted, from the various cases. I have seen no opinions which can be depended upon.

Jovis, 21° *die Maii*, 1818.

Mr. Serjeant Onslow in the chair.

John Thornton, esq., called in and examined:

496. You live at Hamburg?—I do.

497. How long have you been resident there?—I was born there: I have been several different times here.

498. Are you acquainted with the regulations respecting the rate of interest at Hamburg?—Some I am able to answer to.

499. Are there any laws restricting the rate of interest?—There are at Hamburg. We belonged to the former German empire, and by the laws of the German empire the legal interest is six per cent. universally throughout all the empire. We still continue six per cent. We do not consider the French laws which were introduced. The interest is also six per cent. in France.

500. Have those laws been evaded?—Most certainly. Cases of usury will always happen; otherwise they cannot be avoided legally. Jews will always evade them. They were often violated.

501. Were they evaded only by Jews?—I dare say they were occasionally by others.

502. When the market rate of interest exceeds the legal rate, what then takes place?—That can be done only in a mercantile way. In discounting bills in England you can never exceed your discount; that remains forever five per cent. for all bill transactions. But for bill transactions at Hamburg it is not called an evasion, but it is an absolute allowance of the current interest. Whenever there is a scarcity of money, it may be 10 or 12 or 15 per cent, or whatever the current interest is, according to the times, which equally as well may be lower sometimes. We have an abundance of money there. It may be three per cent., or still less. It takes its course according as there is more or less money in the market.

503. When the committee used the term "evasion," it did not convey to your mind the full effect of what was meant. What the committee meant was, whether when the market rate of interest was higher, that the legal commercial transactions did not follow the market rate?—Supposing it had been anything regarding a bond; supposing I take up money for six months, or twelve months, or a longer time, the legal interest of six per cent. can never be exceeded, nor can you, in any claim you have, nor any legal pursuit you have, ever by bills of parcels or by merchandise exceed six per cent. It is only in the way of the turning about of bills, in the discounting of bills. Wherever you must go legally to work, be it in an account current or whatever it may be, the stipulated interest of six per cent. can never be exceeded. And supposing there was a plenty

of money, and the current interest was three per cent., still there is a right to charge six per cent. on any claims.

504. Do you know what in England is called commission?—Yes; that is a contract. We do not call that a commission, but a contract; and, very fairly, that is admitted as legal.

505. You are not, from your long residence abroad, sufficiently informed of the state of affairs in England to know the operation of the laws restraining the rate of interest?—Not precisely; I have been only casually here. I will answer any questions in my power.

506. When the market rate of interest exceeds the legal rate, as during the late war it has very frequently and for a length of time done, what are the effects of those laws upon the commercial world?—Then certainly it is a great incumbrance upon business; it cannot fail to create embarrassment.

507. Do you recollect what happened in the latter end of the year 1795, when the Bank of England restricted its discounts?—Most certainly it occasioned great embarrassment.

508. Do you know any country where the laws against usury have not been evaded?—No; I believe they are evaded in every country in the universe.

509. Supposing the value of money to be above the legal rate, and the laws against usury could be strictly enforced; would it not be attended with the greatest inconvenience to mercantile persons?—There certainly would not be such facilities as we have with us at Hamburg, where the discount is admitted at whatever the current rate of interest is. I conceive that although there is a scarcity of money, by paying an extra rate, then still the enforcement of the laws certainly would create embarrassment.

510. Do you know, in point of fact, any case in which the consideration of the usury laws has ever had any influence?—The consequence will be, that in a case of that kind, where it is proved that a party has committed an act of usury, he forfeits his claim.

511. Have you had instances of that nature?—Yes; the people not being upon their guard, have introduced seven per cent., or even ten per cent., in a bond, and if the person is unable to pay, and it comes to be contested, he loses his claim.

512. Have you known any case such as you have described?—Yes, but it can be only in the case of people who are not acquainted with the manner of evading it, who are not on their guard.

513. What is the mode by which the law is evaded?—A man will give a bonus. Either will say: "You wish to have £200; you must give me a bonus of two per cent., or £4, or according to what he may expect, and then make the amount equally appear for £200, with six per cent. interest." It may be called a commission, or a bonus, or whatever the party pleases.

514. What is the interest in the case of landed property at Hamburg?—Six per cent.; that is to say, in extreme cases the law would admit six per cent. Yet landed property, and property of houses, being considered the best security, money is easily and generally obtained at the rate of from four to five per cent. per annum.

Richard Blanshard, esq., called in and examined:

515. You are a foreign merchant?—I am.

516. Have you ever resided in France?—I resided at Bordeaux from the year 1802 to the end of the year 1809.

517. That was during the government of Bonaparte?—Yes; he was First Consul when I went there.

518. When did the Code Napoleon come into force?—I think about August, 1807, or at least that the limiting the rate of interest took place at that time.

519. The greater part of the time that you resided there was time of war?—Yes; all but nine months.

520. Before the Code Napoleon, were there any laws regulating the rate of interest?—None at all, I believe.

521. What was the rate of interest there?—The rate of interest when I arrived at Bordeaux was from one to one and a quarter per cent. per month, from twelve to fifteen per cent. per annum.

522. That was just after a long war?—Yes; but still I rather think that the interest was somewhat increased by the peace, from the additional business that was taking place, and which gave a further employment to money. Persons could afford to pay a high interest, having a good business, and the money in the place was not proportionate to the increase of trade which took place. A good deal of business was in consequence of the renewal of maritime intercourse and the restoration of the French colonies.

523. What had the state of credit been in France for some time previous to that?—The state of credit in France had been gradually improving from the time of Robespierre. After his death, people were able to think a little of business; but they were for some time very apprehensive of appearing rich, and it was only a high rate of interest that drew forth any money into trade. I understand that money, when it first appeared, about or just before the appointment of the directory, was at three and three and a half per cent. per month.

524. To what do you attribute that?—In the first place, to the little money there was in the country; and in the next place, to the risk there was in employing it; a risk of appearing rich, after a time when it had been sufficient to be rich to be criminal.

525. How long did that rate, at which it began, continue?—It went on diminishing till the year 1807; and if I recollect right, at the beginning of the year 1807, before there was any regulation with regard to interest, good bills were discounted as low as two per cent. per annum; about three per cent. was the course for some time; afterwards, when Bonaparte went through Bordeaux on his Spanish enterprise, having expressed a wish to relieve, as much as lay in his power, the extreme suffering that the city underwent, the chamber of commerce proposed his taking shares in private armed ships (called usually *aventuriers*) to be despatched to the French colonies with cargoes, to bring home in return sugar and coffee; this occasioned the building of many vessels, and procuring a degree of trade, gave some value to money, and made the rate of interest rise to four or five per cent.; before that there had been scarcely any employment for capital, owing to the English blockade, and the oppressive anti-commercial system in France; the low interest of from two to three per cent. arose from people receiving their money, and conceiving there was as much risk in keeping it at home, from the temptation and observation it would occasion, being all in silver, as in lending it out at the lowest rate of interest.

526. Was not the foreign commerce of France at that time in a state of extreme depression?—It may be said that there was none, except here and there an American ship arriving by chance, and some exportation of wines and brandies, by means of the British licenses.

527. Do you know what the rate of interest is in France now?—I believe the rate of interest is five per cent. the legal rate, and six per cent. the conventional rate; they have a right to make that charge when they make a convention to that effect.

528. Then the five per cent., the legal interest, is not binding, if there is an agreement to the contrary?—No; they have a right to go to six per cent. There were no remonstrances on the abolishing the usury laws in France, for money was at so much lower a rate, from a want of employment for it, that capitalists were not frightened when they were told they were not to make more than five or six per cent. of their money, for in fact they would have been glad to have made three or four. Landed estates in that part of France gave no net revenue whatever at that time.

529. France was at that time in an unnatural state?—Certainly: no person can have an idea of the state of France at that time, as regards trade, without having been there. Almost immediately after I left France, which was in December, 1809, the license system took a very considerable extension, Bonaparte having been forced to admit colonial produce in return for the exportation from France, and then the interest of money rose in consequence, and I believe went to five or six per cent.

530. You have been since the year 1809 in business in this country?—I have.

531. Are you acquainted with what is called commission here?—I know what is usually called commission.

532. Supposing a merchant lends to another money upon goods, and also charges commission, has not the doubt respecting the legality of that commission occasioned much embarrassment?—Very great embarrassment.

533. From your observation upon the usury laws, do you conceive that their repeal would be beneficial?—Extremely so, both for the borrower and the lender.

534. Be pleased to state your reasons.—The borrower will, upon the whole, obtain money upon better terms than he is now obliged to submit to, when money is scarce; and the lender will in such cases get the value for his money without being obliged to have recourse to foreign countries for that purpose, or to run risks, of the extent and even existence of which he is generally unaware.

535. You say when money is scarce the borrower will get money upon better terms than he now gets it; do you not conceive that in times when money is scarce, if the usury laws were repealed, the rate of interest would be higher than it now is?—Certainly.

536. How, then, can the borrower get his money at a better rate than he now does?—Because, instead of borrowing upon annuity, or in any similar oppressive and exorbitant mode, he would be able to get the relief he wanted, at a rate perhaps only a trifle beyond the present course.

537. Do you not conceive that he would then only pay the market rate of interest, without paying anything for the risk or the disgrace which is supposed to be attached to modes of evading the statute?—Certainly.

VENERIS, 22° *die Maii*, 1818.

Mr. Serjeant Onslow in the chair.

Joseph Kaye, esq., called in and examined:

538. You have been concerned very extensively, as a solicitor, in the city of London for many years?—I have.

539. Have you, in the course of your practice, had occasion to know the operation of the laws for restraining the rate of interest?—Upon numerous occasions.

540. Have you known any, and if any, what, inconvenience has resulted from them?—I have known very great inconveniences resulting from the usury laws; I am old enough to recollect those inconveniences so long ago as the American war, when money was very scarce, and the discount upon government securities, such as navy and victualling bills and ordnance debentures, was as high as 15 or 16, and sometimes nearly 20 per cent., and when it was impracticable for an individual in the best credit, and having the best landed securities, to obtain money at the legal interest of five per cent.; and then those persons, whose necessities compelled them to raise money, were obliged to raise it by means of annuities, and other means, to evade the statute of usury, and to pay not only an exorbitant rate of interest, but very large commissions and expenses for the procuration of the loans they obtained; and I have known upon many occasions, where securities were not of the best description, the parties had to raise money upon much more ruinous terms, for they not only had to pay the lender an

usurious rate of interest, but to pay him, in some shape or other, for the risk he ran. At various periods in the late war, when money was extremely scarce, persons with very large unincumbered landed estates could not borrow money on mortgage at five per cent., and in many instances were compelled to raise money by way of annuity, by which they were subjected to an interest of 12, 13 or 14 per cent., according to the age of the applicant and other circumstances; so recently as the year 1816, it was not practicable to procure money upon mortgage, and those transactions of the nature above described then took place. It occurs to me that it must be extremely inconvenient to all persons having large pecuniary transactions, that a maximum should be put upon the interest or value of money, as it is the general means of procuring all the necessaries and luxuries of life, and it can never be expected that men in good circumstances and men in distressed circumstances should be able to obtain loans of money upon the same terms: the consequence is, that the needy and distressed borrower is compelled, by various devices, to evade the laws against usury, to pay a most exorbitant commission, and other expenses, in order to obtain a loan of money, which, although he could not probably obtain at the limited interest of five per cent., he could obtain at a small advance upon that interest, if the laws of usury did not prevent such a transaction from being legal.

541. Have you known any instances where questions have occurred respecting the legality of charging commission where money has been lent upon goods?—I have known many instances in which questions have occurred as to the legality of loans of money, both upon goods and other commercial transactions, where the object of the merchant, in making his loan, was connected with the transaction of commercial business, and where, in the usual course of commercial business, the merchant has charged an interest of five per cent. upon his advances, and also charged a commission according to the nature of the business upon the commercial transactions conducted by him; as, for instance, upon loans on West India estates, where the principal object of the merchant is to obtain the consignment of the produce of those estates; in many instances serious doubts have occurred whether it was legal for the merchant advancing the money to stipulate in his security for the consignment of the produce of those estates upon which he made the advances; and in my own professional experience I have uniformly advised the merchants to avoid introducing into the securities stipulations to that effect, trusting to the general influence their advances must give them upon the planters for securing the consignment which was the object of the loans.

542. Did you so advise them in order to avoid the question as to the legality of the transaction?—I certainly did so advise them, in consequence of doubts being entertained by professional men and counsel of eminence in all the courts in Westminster Hall.

543. In point of fact, has it not been the subject of very considerable doubt among counsel of eminence at the bar?—It certainly has been the subject of considerable doubt among counsel of the first eminence, and such doubts have been entertained by gentlemen who now preside in the courts in Westminster Hall as judges. There have also been a great variety of questions as to the legality of advances made by merchants in commercial transactions where they have charged the legal interest of five per cent., and a commission upon those transactions; and in a recent case in the bankruptcy of Messrs. Kensington & Co., who were bankers, and of Messrs. Stein, Smith & Co., who were large distillers, and who employed Messrs. Kensington & Co. as their bankers, from whom they received large advances, and by whom a commission was charged upon bills accepted and paid by them, and upon other transactions of a similar nature. In this case the question was tried under the direction of the lord chancellor, before the lord chief justice of the court of King's Bench and a special jury of merchants, in order to ascertain the legality of the commission charged by Messrs. Kensington & Co. Upon that occasion the chief justice,

in his directions to the jury, expressed a strong opinion against the legality of the charge of commission, but the jury found a verdict in favor of it, which was afterwards supported by the judgment of the court. I have also known the charge of commission upon goods placed in the hands of a merchant for sale, on which a loan was made, questioned as being an illegal transaction, and where counsel of the first eminence have doubted the right of the merchant to charge a commission on the sale of such goods, though a very common and ordinary transaction in commercial experience. I have also known, in accounts kept between country bankers and their customers, where it was the ordinary course of business to charge a commission upon the bills discounted and negotiated, as well as interest at five per cent. upon advances, and where a commission has at one period of the account been charged at the rate of 5*s.* per cent., and afterwards varied and extended to 10*s.* per cent., that circumstance has been urged as an usurious charge of commission, and the legality of it called in question. In one case of that kind I recollect the question was referred to a gentleman of great eminence at the bar, who decided in favor of the legality of the transaction; but other eminent counsel entertaining a different opinion, the legality of the decision was litigated in the court of chancery, but was ultimately confirmed.

544. Have you known any large penalties enforced against persons for usurious transactions?—I have known several instances of penalties being enforced which were extremely heavy; and also known many instances in which debts have been held to be illegal, and have not been recovered, in consequence of being founded on usurious transactions. I think I never but once was concerned in an action for usury, and in that case penalties were recovered to the amount of £8,000 or £9,000; but the defendant absconded from the country, and the penalties, I believe, were never paid.

545. In the instances to which you have alluded, do you conceive that the parties were aware that they were engaging in usurious transactions?—In most of them certainly not; on the contrary, they considered themselves as acting legally.

546. To remedy those inconveniences which you have enumerated in mercantile transactions, would you recommend a partial or a total abolition of the usury laws?—I think that the total repeal of the usury laws would be most beneficial to the public, both with respect to the commercial part of the community and to the interest of those who may have occasion to borrow money upon landed security. I think the general interests of every description of men who may be in a situation to have occasion to borrow money would be benefited by the repeal of the usury laws; for if money is scarce they cannot obtain it at the ordinary rate of interest, for any permanent time, upon securities however good, and must therefore have resort to the means of raising money which is extremely injurious to them, and they will not only have to pay above the legal interest but will also have to compensate the lender for the risk he runs in lending money upon terms that must bring him within the operation of the laws against usury. If money is plentiful the borrower then would have no difficulty in borrowing money upon good security, at even a lower rate of interest than the legal rate, supposing the general interest of the funds and other salable securities should produce much below the legal interest. When, in times of scarcity of money, the government is obliged to pay much above five per cent., under the authority of Parliament, it cannot be expected that necessitous individuals would be able to borrow at five per cent.; and the means to which they are driven to supply their necessities are extremely injurious and inconvenient.

547. In an old country like this are there any evils which would result to the commerce and to the landed interest from the abolition of the usury laws?—I am of opinion that no injury would result from the abolition of the usury laws, and that great advantage would be derived by every description of men who had occasion to borrow money, as in that case they would only have to pay the market price of the money at the time, connected with the state of the security

upon which they applied to borrow; as it cannot be expected that a rich man, with a valuable landed estate, and a necessitous man, with a doubtful security, should be able to borrow money at the same rate.

548. In times of great pressure do you think that persons wishing to borrow money would get relief to a much greater extent than they now do by the abolition of the usury laws, or that the scarcity of money at such periods is not actually occasioned by the circumstances arising out of such times?—In times of scarcity of money I am of opinion that if the usury laws were abolished the necessitous man would obtain relief with much greater facility than he can possibly do while those laws exist, because there are very few men who have money to lend that will expose themselves to the risk of usury, and those who are so disposed always take care to be paid for that risk, which consequently falls upon the necessitous borrower.

549. Do you conceive that there is much unemployed money at such periods?—In times of the greatest pressure there is money employed in a way that may not produce even the full amount of legal interest, which would be lent to necessitous persons, if the lender could be paid what he then would consider an adequate interest for the loan of his money, and a compensation for what he might consider the risk of taking an insufficient security. For instance, if a man, at times like those, had money lying in exchequer bills not producing him more than three or four per cent., he would be induced to dispose of those exchequer bills and lend the money upon a security accompanied by some risk, provided he could be legally paid a rate of interest that would compensate for that risk.

550. In your extensive experience and connexion with mercantile men, have you ever known it a matter of common notoriety that men possessed of property in difficult times have actually failed from being unable to procure money in consequence of the existence of the usury laws?—I have certainly known instances of men in embarrassed circumstances who might have prevented their stopping payment, by raising money upon securities not esteemed satisfactory in the ordinary course of transactions, if they could have been legally permitted to give a rate of interest that would compensate for the additional risk of lending money upon such securities.

551. Have you not known many persons driven to the necessity of selling property at a very depreciated price, which they might have avoided had they been able to borrow money at a higher than the legal rate of interest?—I have known many instances of commercial men, with large quantities of goods, for which there was not an immediate market, that have, from necessity, been obliged to force the market, and sell those goods at very great loss, and which has very frequently ended in their ruin. I have also known many instances of persons possessed of landed property, or houses, who have been under the necessity of bringing the same to sale under very disadvantageous circumstances, not being able to borrow money, in consequence of the usury laws, and who have, by that means, sustained very severe losses.

552. Taking into consideration the modes in which money is usually lent upon mortgage, taking into consideration the mode of borrowing money upon annuities, and also taking into consideration what relative extent of money is advanced on that description of security, and the quantity of money out upon mortgage, do you think, in times of pressure and scarcity of money, that the existence of the usury laws is or is not beneficial to the landed interest?—I am of opinion that in times of pressure the existence of the usury laws is in general injurious to the landed interest, because on all occasions where payment can be enforced by mortgagees, the money lent on mortgage is generally called for; and it can only be in a few instances, where estates belong to minors and other persons, against whom immediate payment cannot be enforced; and even in those instances, the estates are generally exposed to the expense of suits, of a receiver, and to other incidental expenses, that most probably would more than

pay the difference between the legal rate of interest and the rate at which money might be borrowed to pay off those securities.

553. Would the total abolition of the usury laws affect or injure, in any degree, the public loans? and if not, state your reasons.—I am of opinion that the abolition of the usury laws would in no degree whatever affect the terms on which a public loan might be negotiated, because, when money is scarce and valuable, the public are obliged to pay more than the legal rate of interest to obtain the proposed loan; and when money is more plentiful, the public loan is obtained below the legal rate of interest; and in the negotiations for such loans, I believe the legal rate of interest is never attended to, either by the borrower or lender, but merely the difficulty or facility of procuring money.

554. If any restricted rate of interest is to exist, do you not conceive it desirable that it should be the same throughout the whole of the empire?—My opinion is that there should be no fixed rate at all; and if a restricted rate of interest prevails, I am of opinion there will be much more difficulty in borrowing money, at such restricted rate of interest, at distant parts of the empire, than in or near the great money market of the metropolis; for it is found, even when money is plentiful, to be extremely difficult to borrow money upon unexceptionable landed security in Ireland, even at six per cent.; and upon landed security in the colonies I believe scarce any loans are advanced, except with a view to the commercial business of the plantations upon which they are advanced.

555. If the restrictive rate of interest of six per cent. in Ireland was taken away, so as to leave the matter perfectly open, is it or is it not your opinion that it would serve Ireland materially?—I am of opinion that if the usury laws were abolished it would be beneficial to those parts of the empire where the highest rate of interest is paid; because I know, from professional experience, that very recently, and even at the present time, persons in Ireland are obliged to have recourse to the expensive mode of raising money by granting annuities, in consequence of their not being able to borrow it on mortgage, even at six per cent., and by that means pay a much higher rate of interest for a loan than they might obtain it upon if the rate of interest was open.

James Weston, esq., called in and examined:

556. You have been for many years a solicitor in extensive practice in the city of London?—I certainly have.

557. Have you had opportunity of observing the operation of the laws restraining the rate of interest upon commercial transactions?—I have always thought, as the result of experience, that the restriction upon the rate of interest arising from the usury laws, as they are called, has been prejudicial upon the general scale. I mean to confine it principally to London, arising from my acquaintance with the state of the commerce and trade in London, but extending it also in some considerable degree to the effect which those laws have had upon the owners of land.

558. Then, from your experience, you think that the continuance of the usury laws is not beneficial?—I do think so, upon the whole.

559. Have you known whether doubts have not been entertained, in consequence of those laws, as to the legality for stipulating for commission, where money has been lent?—I have known that it has been doubted, and I have seen the opinion of persons very eminent in the profession, which imported a doubt upon the legality of taking a commission upon the sale of goods deposited and lodged as a security for money lent by merchants in London; but I have known of no legal determination upon the subject.

560. Have you been engaged professionally in any causes arising out of the usury laws?—I was some years ago concerned in a cause of that description, of great magnitude and importance to the parties interested; it arose upon a loan

at six per cent. upon plantation property in the West Indies; it was secured by mortgage, and my clients were the mortgagees. Having called in their money, which I think exceeded £30,000, another West India house in London engaged to take it up, upon an agreement for a transfer of the mortgage securities, upon which occasion they gave to my clients, as a collateral security, their acceptances at six per cent., payable by instalments, it not being convenient to them to pay in ready money; that transaction was called in question. The original loan and the securities taken upon the agreement for transfer of it were considered as protected by the act authorizing the taking six per cent. upon colonial securities; but my clients were subjected to an action for the recovery of treble the amount of the £30,000, which, as far as could be ascertained, was grounded upon the objection taken to the collateral security given for the payment of their money. The action was brought in the name of a common informer, who could never be found, though great pains were taken, and much expense was incurred, to find out who he was. The action proceeded so far as to be appointed for trial; on the day of trial the plaintiff did not appear to try the cause, and he was never heard of afterwards. My clients sustained an expense of more than £1,000, which has been a total loss to them, as the party could not be found against whom the costs might have been recoverable if he had been forthcoming; and my clients and myself, and also my brother, who was then alive, were, from the magnitude of the concern, kept in a state of great anxiety for nearly twelve months.

561. In consequence of this transaction, was not a bill brought into Parliament upon the subject?—There was; and this is a printed copy of the bill, which I have brought with me.

(The witness here produced a copy of the bill.)

562. What became of the bill?—The bill, as originally drawn, was brought into the House of Commons by his Majesty's then solicitor general, now the lord chancellor of Ireland. The draught of the bill in manuscript and in the printed form was circulated by my brother and myself (but principally by my brother's means, who interested himself very much in it) very generally among the profession of the law, both on the bench and at the bar, as well as among the principal solicitors in London; it was very much approved; but several of the provisions of the bill, by reason of its being so very generally disseminated, were the subject of much discussion; and it did not proceed further, though it was so much approved, owing to circumstances, which, perhaps, it is not material I should trouble the committee with, but which I will do if the committee think it proper that I should.

563. Was there not a very considerable expense in preparing and forwarding that bill?—Yes; but that expense was paid by the committee of West India merchants; it amounted to several hundred pounds.

564. Then, notwithstanding the necessity of a bill of this nature was admitted by the highest legal authority, and by great part of the mercantile world, and a very considerable and large expense was incurred in preparing a bill, no legislative enactment has taken place, and the law remains just as it did?—Certainly.

Mr. Edward Wakefield called in and examined:

565. You have been for many years conversant with landed property, as a land-surveyor, and as agent and land steward to several noblemen and gentlemen?—I have.

566. Have you had much experience in the sale and purchase of landed estates?—I have.

567. Have you known much inconvenience to arise to the landed gentlemen, when the market rate of interest was above five per cent., from the difficulty of procuring loans upon the mortgage of estates?—During the war, when the government of the country was giving more than five per cent. for large loans, the moneyed men would not lend upon landed security at so low a rate as the law

determined for them; the consequence was, that the borrowers, in order to raise money, were obliged to grant annuities at an enormous rate, which, in point of fact, was only finding out the way of escaping from the law.

568. Do you think that the late pressure upon the landed proprietors would have been much relieved if the usury laws had not been in existence?—I have no doubt but they would; I could give a very strong instance, without mentioning names, which has lately come through my office, of a nobleman who possessed an estate, upon which there was not an entail, and upon which he was unable to borrow money upon mortgage, and therefore began borrowing money upon annuities, which increased his debt till he has been obliged to sell it, and this is a property coming to nearly £200,000.

569. In consequence of annuities being granted over large estates, does it not frequently happen that the proprietors are prevented from selling them to more advantage, by dividing those estates?—That was the case in the very estate in question, which had been sold in November, 1814, I believe in lots, for somewhere about £250,000; but it was necessary to lay down £160,000, in order to pay off the annuitants, whose securities ran over the whole, and who would not permit a title to be made to any one lot.

570. Was there not a very considerable loss from the impossibility of completing the sale, from the annuities being over the whole estate?—I have no doubt about it; and I think I may add, that I never knew a landed proprietor who was driven to borrow by way of annuity, but that he increased his debt, and in the long run he was ruined.

571. Do you not think that constant instances of this kind must occur in times of difficulty?—I have no doubt about it.

572. Does it not occur that there are frequent instances where landed proprietors will be exposed to very severe loss, by not being able to raise money upon particular emergencies?—No doubt about it.

573. Have you observed, in frequent instances, that landed proprietors, in consequence of not being able to raise money, have been obliged to sell their estates, at an enormous sacrifice of price?—I believe that land is fenced in with so many securities, that it takes a much longer time to force a sale than almost any other commodity.

574. Would it not have been more advantageous to have borrowed money upon mortgage at seven and a half per cent. interest, than to have sold an estate in 1815?—I have no doubt that it would have been advantageous to many landed proprietors to have so done, but that depends upon the opinion which those persons might have entertained upon the future value of land.

575. Do you think that land would be increased in value if the proprietors had it in their power to grant a fair *bona fide* security on it, at the market rate of interest, at the time, instead of being obliged to have recourse to annuities, and to more expensive modes of raising money?—I think, in point of principle, like all other things, it may be more valuable by being freed from a monopoly price of raising money upon the security of it; but I do not know whether practically at this moment it might add to the value of any one estate.